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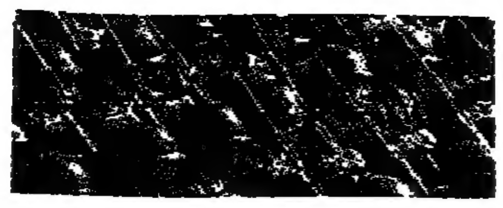
**Bank of England**

*Safety with a touch of risk*

Page 13



**Japan**

*Will it drop the peace clause?*

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*US industrial companies go back to basics*

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*Shared burdens mean shared leadership*

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# FINANCIAL TIMES

Europe's Business Newspaper

MONDAY JANUARY 25 1993

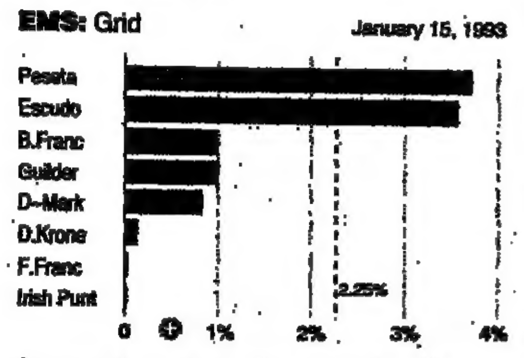
D8523A


## Iraqi missiles may be returning to no-fly zones

Les Aspin, the new US secretary of defence, said there were signs that Iraq was moving its surface-to-air missiles back into the no-fly zones. The US would need to watch the missiles in the next few days.

He said it was too early to say if President Saddam Hussein had broken his self-declared goodwill ceasefire. "I think it's a little soon to determine what's going on here since the Clinton administration took office. I think we're going to wait a couple of days to make sure." Page 4

**European Monetary System:** The crisis in the system's currencies eased. There is a percentage point differential of only 3.7 between the strongest currency in the system, the Spanish peseta, and the weakest, the French franc – far less than the widest permitted deviation of 6.18 per cent. A sign of the system's strength is that the French franc, which has performed strongly in the last two weeks, is at the bottom of the grid with only a 29 per cent divergence from its central rate against the European Currency Unit (Ecu). Currencies, Page 25




The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. The Spanish peseta and Portuguese escudo operate with 6 per cent fluctuation bands.

**Danish coalition:** Danish voters have modest expectations of the new four-party coalition led by Poul Nyrup Rasmussen, chairman of the Social Democratic party, while business fears it will lead to higher costs and therefore to job losses. Page 14

**EC debate on crime:** Representatives of EC governments and experts are meeting in Belgium today to study ways to break the link between crime and unemployment in Europe. Page 14; English speakers lead crime league, Page 2

**Brazil's new cabinet:** New president Itamar Franco appointed two women to run important ministries, completing his cabinet and confirming a centre-left slant. Yeda Crusius takes over the planning ministry, while Luiza Erundina becomes minister of administration. Page 4

**New Kenya poll allegations:** Disclosures from a Commonwealth file on Zachaeus Chesoni, the former judge who supervised Kenya's general election last month, are likely to reinforce opposition claims that the election was unfair. Page 4

**UK businessmen to accompany PM:** Senior businessmen have been asked to accompany the UK prime minister on overseas trips which form part of government efforts to tackle domestic unemployment, including one to Japan. Page 14; Editorial Comment, Page 13

**Westpac,** troubled Australian bank, appointed US banker Robert Joss as chief executive, with a brief to cut costs and reduce risk-bearing assets. Page 15

**Olympia & York,** ailing Canadian property developer, is heading for a confrontation with a leading group of unsecured creditors in Toronto today. The outcome could determine whether O&Y can emerge from the court protection it sought last May. Page 14

**Italian group recruits Japanese:** Ilva, heavily lossmaking Italian state steel group, has appointed Hayao Nakamura, a Nippon Steel executive, as managing director, in an unprecedented move. Page 17

**Johannesburg Consolidated Investments,** South African mining company, has emerged as a bidder for up to 29.9 per cent of Johnson Matthey, precious metals group, held by Charter Consolidated, the UK industrial conglomerate. Page 15

**NY Post staff vote on pay:** Employees at the New York Post were expected to vote last night to accept a 20 per cent pay cut that the owner, property magnate Peter Kalikow, says is needed to keep the newspaper open. Page 14

**Hungarian PM defeats challenge:** Jozsef Antall, Hungarian prime minister, fought off the strongest challenge to his leadership of Hungary by facing down a far-right bid for power. within the conservative governing party. Page 2

**Ex-Nazi withdraws:** Hans Sewering, a former Nazi elected to be president of the World Medical Association, withdrew after Jews protested that his past stripped him of any right to the post.

**Drugs money question:** The Luxembourg government is seeking ways to overturn a court ruling that $36m in suspected drug trafficking profits be handed back to their Colombian owners, who had broken no law, although they were closely linked to a notorious drugs cartel chief.

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Austria | Sch30 | Greece | Dr300 | Lux | LFr60 | Qatar | QR12.00 | | |
| Bahrain | Din1.250 | Hungary | Ft182 | Malta | Lm0.60 | S.Arabia | SR11 | | |
| Belgium | BFr60 | Iceland | IKr180 | Morocco | MDh13 | Singapore | S$4.10 | | |
| Bulgaria | Lw25.00 | India | Rs40 | Neth | Fl 3.75 | Spain | Pta200 | | |
| Cyprus | C£1.00 | Indonesia | Rp3800 | Nigeria | Naira20 | Sweden | SKr15 | | |
| Czech | Kcs35 | Israel | Shk5.50 | Norway | NKr16.00 | Switz | SFr3.20 | | |
| Denmark | DKr15 | Italy | L2700 | Oman | OR1.50 | Syria | S£50.00 | | |
| Egypt | E£4.50 | Jordan | JD1.50 | Pakistan | Rs35 | Thailand | Bht50 | | |
| Finland | FM12 | Korea | Won 2500 | Philippines | Pso45 | Tunisia | Din1.250 | | |
| France | FFr8.50 | Kuwait | Fils.600 | Poland | Zl 22,000 | Turkey | L6000 | | |
| Germany | DM3.30 | Lebanon | US$1.25 | Portugal | Es215 | UAE | Dh11.00 | | |

### Yugloslav president seeks UN meeting

# Croatian attacks threaten Bosnian peace efforts

By Robert Mauthner in Geneva and Laura Silber in Belgrade

NEGOTIATIONS on a peace settlement for Bosnia-Hercegovina came to a virtual standstill in Geneva yesterday after a warning by Mr Dobrica Cosic, president of the rump federation of Yugoslavia, that no further progress was possible until Croatia had ended its "aggression" against the Serb-populated region of Krajina.

Before leaving for Belgrade, Mr Cosic said that the Croatian offensive, launched on Friday on the eve of the resumption of the Geneva talks, "seriously undermines and compromises the peace effort here".

He called on the co-chairmen of the Geneva conference, Mr Cyrus Vance and Lord Owen, to ask for a special session of the United Nations Security Council "to strongly condemn" the Croatian action and to put an end to what he described as "a veritable war" in the Krajina region.

Mr Cosic's statement followed strenuous efforts by the two international mediators to persuade the leaders of the parties involved in the Krajina conflict to put a halt to the fighting. The co-chairmen said yesterday that they had expressed their "grave concern" about the flare-up to President Franjo Tudjman of Croatia.


Mr Vance said that Mr Tudjman had given them an assurance that he was immediately going to order local commanders to stop the fighting. Last night Mr Tudjman appeared on Croatian television to say his army had ended its offensive after seizing a main route linking the south and north of the country.

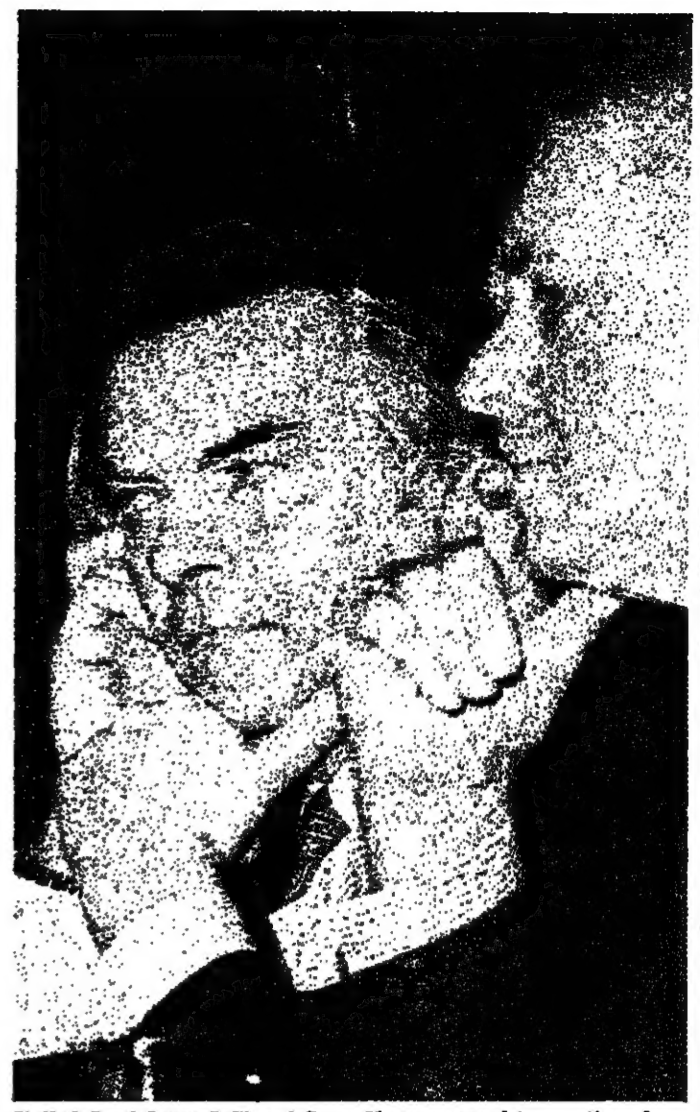
The mediators had also received an undertaking from Mr Cosic and the Bosnian Serb leader, Mr Radovan Karadzic, that they did not intend to get involved in the renewed fighting between Croats and Serbs, but that they would leave it to the UN to find a solution.

The offensive was launched by the Croats in a 65-mile long zone which has been under the protection of UN troops since Mr Vance negotiated an end to a war between Croatia and the federal Yugoslav army a year ago, following Croatia's declaration of independence.

Croat forces launched a powerful armoured assault on Zemunik airport near Zadar and an attack towards the Serb-held towns of Benkovac and Obrovac, according to Tanjug, the Belgrade-based news agency.

The Croatian government said 120 Serbs and 10 Croats had been killed in three days of fighting around the Maslenica bridge and Zemunik airport, near the Adriatic port of Zadar. The bridge was damaged and seized by Serb militia in 1991.

General Zivota Panic, the Yugoslav army chief of staff, warned that his forces may intervene in Croatia, raising fears of an all-out Serbo-Croat war.



Stalled: Lord Owen (left) and Cyrus Vance respond to questions from the media on the Bosnia-Hercegovina peace talks in Geneva

"In the upcoming period the army will undertake measures to defend the endangered Serbian people [in Croatia] and extend humanitarian and all other help," Gen Panic said in a letter to Indian General Satish Nambiar, the UN force commander.

He warned that the Yugoslav army would fulfil its pledge to defend Croatia's Serbs, who comprise 13 per cent of the 4.7m population because: "Croat troops are massing instead of suspending their offensive as ordered by the UN Security Council."

Continued on Page 14

# Japanese car dealer tells staff to take the train

By Robert Thomson in Tokyo

MOST OF the 12,000 workers at Yanase & Co, Japan's largest imported car dealer, have been ordered to take public transport to work, in an attempt to give potential car buyers the impression that the country's clogged roads are becoming less congested.

Trying to push-start a stalled car market, Mr Jiro Yanase, the 76-year-old chairman of Yanase, which sells Mercedes-Benz and General Motors vehicles, has also asked makers such as Toyota Motor and Nissan Motor to forbid their employees from driving to work.

As Japan's economy has slowed, so have car sales. Motor vehicle registrations were down by 7.2 per cent last year. Registrations of imported cars fell 7.7 per cent, prompting carmakers to consider new gimmicks to prompt customers to trade in and, preferably, trade up.

However, the car makers think Mr Yanase's strategy a touch quirky. Toyota and the Japan Automobile Manufacturers' Association both noted that the "idea itself is interesting", but said improving transport infrastructure was more important than keeping their employees off the road.

The edict from Mr Yanase is not only a response to recession but another example of the sometimes eccentric policies of successful Japanese companies dominated by a charismatic figure. For example, Minebea, the world's leading maker of bearings, diversified into pig raising because of a lingering boyhood fascination of its late chairman.

Mr Yanase, who inherited the business from his father in 1945, originally asked that only Tokyo employees be forbidden from driving to work. But he has now extended the ban throughout Japan.

A Yanase manager in Nagoya, in central Japan, said about 8 per cent of employees are exempt, either because they live too far from the office or for health reasons. But the rest of the branch's 600 employees face

Continued on Page 14

# German public sector pay talks break down

By Judy Dempsey in Berlin

TALKS between the German government and the ŏTV public sector trade union broke down at the weekend amid warnings that the inflation rate would continue to climb, delaying a cut in interest rates, unless wage rises were kept to just 2.25 per cent.

Mr Rudolf Seiters, the interior minister and the government's chief negotiator in the pay talks, said inflation could rise above 4 per cent unless wage rises were kept to the 2.25 per cent mark.

The union has insisted on a 5 per cent wage increase, as well as a shorter working week "of about 35 hours."

Ms Monika Wulf-Mathies, head of the ŏTV, said the government's unwillingness to compromise, coupled with the unveiling last week of a draft solidarity pact between the states, central government and unions, which aims to slash public spending to finance the cost of German unification, could lead to "conflict".

Inflation in Germany stands at about 3.8 per cent but had been forecast to stay at or below 4 per cent this year.

In a letter to Mr Wolfgang Schäuble, leader of the ruling Christian Democratic Union and Christian Social Union parliamentary group, Ms Wulf-Mathies said the solidarity pact was "unfair and unbalanced."

Mr Seiters said each percentage point wage increase would cost the taxpayer DM4bn ($2.5bn). Economists also believe the ŏTV wage demand could delay moves by the Bundesbank to lower interest rates.

The outcome of the pay negotiations, which resume on February 3, will be watched closely by the unions in the five new states of east Germany. Although the west German unions are committed to wage parity with their eastern German counterparts by 1994, the consensus among economic institutes is that individual enterprises will opt for jobs and not income. For example, Opel, the car manufacturer, which is building a plant in eastern Germany, has not joined the federal employees' association. This means it can negotiate separate wage contracts.

"With labour costs 80 per cent higher in east Germany than west Germany, when productivity and wage levels are taken into account, enterprises will want to try and attract both foreign and west German investment through lower wages," said one economist.

# Opec members move nearer to consensus on output cuts

By Mark Nicholson in Kuwait

LEADING members of the Organisation of Petroleum Exporting Countries appear broadly agreed on the need to cut as much as 1m barrels a day from the cartel's output in the second quarter in an effort to counter the recent fall in crude prices.

Signs of an emerging Opec consensus were cautiously heralded by Mr Alirio Parra, the cartel's Venezuelan president. He arrived in Kuwait yesterday as part of a tour of leading Opec producers, prompted in part by concern over the weaker trend in oil prices.

Mr Parra said that following talks with the Saudi Arabian and Iranian oil ministers there was a "consensus on the type of measures" the cartel should take at its next meeting on February 13. Then, Opec ministers are due to set an output ceiling for the second quarter.

His remarks follow a proposal this weekend from Mr Hisham Nazer, the Saudi oil minister. He said Opec members should make pro rata cuts to bring output down by 1m barrels a day from a first quarter ceiling of 24.85m b/d agreed at Opec's last meeting in November. The target figure excludes output from Ecuador, which has since left the cartel.

Mr Nazer's proposal followed talks in Paris this weekend with Mr Parra, who in turn held discussions in Tehran earlier yesterday with Mr Gholamneza Agazadeh, the Iranian oil minister. Mr Parra described both sets of talks as "positive", adding: "We have a broad consensus, the Saudis and the Iranians, as I only talked to the two major producers so far."

Any effective Opec deal to cut output substantially would hinge on broad agreement between Saudi Arabia and Iran, Opec's two biggest producers. Saudi Arabia, which says it is pumping 8.4m b/d, has tenaciously guarded its expanded post-Gulf war oil output. Iran, which was allocated a ceiling of 3.49m b/d in the November agreement, has long been among the most vociferous Opec advocates of output cuts to push prices closer to Opec's nominal target price of $21 a barrel.

However, both countries appear to be responding to broader Opec concern over prices which, for the basket of Opec crudes, have lately fallen to about $16 a barrel, down from an average of more than $18 a barrel in 1992. A Gulf Arab official familiar with Saudi oil policy said yesterday: "There is a general feeling that the fundamentals are not very good for output right now. There is general agreement among members to cut production by around 1m barrels a day."

Opec's cause has not been helped by "leakage" of extra production among several member countries which, according to most industry estimates, has put actual Opec output somewhat above 25m barrels for the first quarter.

Iran's president Mr Ali Akbar Hashemi Rafsanjani, who also met Mr Parra yesterday, was quoted by Tehran Radio as complaining that too many Opec members had been exceeding their November allocations: "If oil producers reduced their production by 10 per cent, they would have 20 per cent surplus income," he said.

Agreement among Opec members to cut output could place particular pressure on Kuwait, where Mr Parra held talks yesterday with Mr Ali al-Baghli, the Gulf state's oil minister. Since the Gulf war, Kuwait has considered itself immune from any restrictions on output while it recovers its pre-war output level, makes up for lost revenues and pays for its reconstruction.

However, a senior Gulf Arab official said Kuwait was likely to be urged to freeze output for the second quarter at present levels – which Mr al-Baghli yesterday put at 1.778m b/d – as part of a bid to support prices.

After Kuwait, Mr Parra will visit Qatar, Algeria, the United Arab Emirates and Oman, which though not an Opec member has often acted in tandem with the cartel to support prices.

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# Wörner warns Germany over 'no-fly' role

By Judy Dempsey in Berlin

A DECISION by Nato to impose a no-flight zone over Bosnia-Hercegovina would "without a doubt" influence the military situation, and bring an end to the war in the former Yugoslav republic, Mr Manfred Wörner, secretary-general of the western military alliance, has told a German newspaper.

But if the decision is taken, Mr Wörner warned that Germany must finally decide if it will allow its crews to staff the alliance's Awacs, the surveillance aircraft needed to impose the ban.

In the clearest signal to date from Nato, the secretary-general, who is German, told the Hamburg daily Die Welt that the 16 member states of the alliance, with the support of the UN security council, must "by all appropriate means" stop the conflict spreading to Macedonia, and the Serb-controlled southern province of Kosovo.

Although he did not go into detail about how the conflict could be contained, German and western military officials recently said Nato was now making contingent plans to impose a no-flight ban over Bosnia from Geilenkirchen, western Germany, close to the Dutch border, where the Awacs are based.

The problem is that the 18 Awacs aircraft are commanded by a German general, and a third of the crew are German personnel. Under Germany's constitution, the deployment of the Bundeswehr, or military, from activities outside the Nato area, is banned.

Attempts over the past 10 days by the ruling coalition of the Christian Democratic Union/Christian Social Union, and the Liberal the opposition Social Democratic parties, to agree on constitutional amendments have failed.

Mr Wörner said any German withdrawal from the Awacs fleet would damage its efficiency. "My hope is that Germany will keep its pilots, crews and other personnel in that fleet... Germany will surely not put at risk its ability to act as a member of the alliance," he said after a Nato meeting in Brussels on Friday.

General Klaus Naumann, the chief of Germany's armed forces, said Germany should withdraw from the command of the Awacs fleet if Bonn refused to participate in imposing a no-flight zone over Bosnia-Hercegovina.

Both Bosnian Serb and Croat forces from Croatia repeatedly fly over Bosnian air-space in contravention of a tacit agreement at last August's London peace conference to respect a ban on flights.

## Currencies to split soon

THE Czechoslovak currency will be split into separate Czech and Slovak crowns "within a few days", a senior adviser to the Czech central bank told the Czech news agency CTK at the weekend, writes Patrick Blum from Prague.

At a conference of German and Czech businessmen in Coburg, Bavaria, Mr Vladimir Jindra, adviser to the central bank governor, also forecast the new Czech crown would be fully convertible in two years.

Changing crowns into hard currency is subject to strict limitations, but uncertainty about the money's future has led to a rush for foreign exchange both on the official and black markets.

The crown was not to be split until the summer but analysts expect this to happen much sooner. A spokesman for the central bank said yesterday that no date had been set and the timing would require agreement between both central banks.

# English-speakers lead in crime

By David Marsh, European Editor

ENGLISH-speaking industrialised countries head the world's crime league, with some types of offence twice as common in the US, England or Australia as in France or Germany, according to an intergovernmental report.

The report is the most authoritative study to date comparing crime around the industrialised world. Sponsored by interior and justice ministries and police agencies, the report is based on surveys carried out last year and in 1989 among 55,000 respondents in 20 countries.

"With the most obvious exceptions of Japan and Switzerland, all industrialised countries suffer from an appreciable level of property and aggressive crime," the report says. "For the public, being a victim of crime has become a common feature of life in most urban areas."

The report suggests governments' ability to curb rising crime is limited. It puts forward a number of proposals, including better security standards for cars and measures to discourage beer consumption – held to be a factor behind violence.

But it also sounds a note of fatalism. "Put bluntly, this [rising crime] seems to be the price for living in an affluent, urbanised and democratic society, regardless of government policy on crime, or the way in which communities try to organise themselves."

Among the more controversial findings, England and Wales are recorded as having registered the greatest increase in overall crime between 1988 and 1991. The number of respondents saying they had been the victim of one or more crime rose 56 per cent during the two periods in England – much more than indicated in previous UK crime surveys and in police statistics.

The study, co-ordinated by the Dutch Justice Ministry, is based on questioning of random samples of adults, normally 2,000 people in each country.

They were asked to report whether they had been victims of crime during the past 12 months – in 1988 and/or 1991.

Attitudes towards crime were also polled. Eight countries held surveys in both years.

Such so-called "victimisation surveys" offer a more reliable guide to international crime trends than countries' police statistics, where comparisons are distorted by divergences in crime reporting.

In view of uncertainties associated with polling methods, the report's authors – Mr Jan van Dijk of the Dutch Justice Ministry and Ms Pat Mayhew of the UK Home Office – caution about using the study to draw "firm conclusions".

Nonetheless, some sharp international differences emerge. Northern Ireland, in spite of frequent sectarian violence, ranks as one of the industrial world's least crime-ridden areas. On the other hand, New Zealand and the Netherlands, belying peaceable reputations, have some of the worst law and order problems. Crime in Poland and Czechoslovakia is much higher than indicated by police figures.

In most countries, fear of crime is closely linked to actual prevalence of offences. In England, fear of burglary – which is much higher than in the rest of Europe – has increased since 1989, in line with actual burglary risks.

In one sign of exaggerated alarm over violence, fears of street crime are much higher than the real risks in Japan and west Germany.

Car theft appears roughly six times more prevalent in England, Italy, Australia, New Zealand, France and the US than in the Netherlands and west Germany.

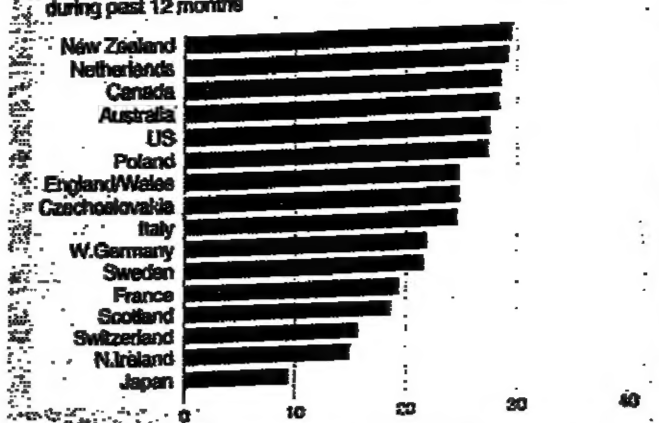
Sexual assaults on females appear highest in Czechoslovakia, Poland, Australia, Canada, and west Germany. Matching incidence of sexual violence, the highest rates of aggressive crime are in North America, Australia, New Zealand and Poland.

The survey highlights differences in attitudes towards police. People reporting an offence were least satisfied with the police response in Poland, Norway, Italy, Czechoslovakia and Spain.

*Criminal Victimisation in the Industrialised World. Netherlands Justice Ministry. Tel 070-3707225. UK Home Office Tel 071-2734600.*

**Anglo-Saxon countries top crime league**

% of population who had been victims of any of 11 main crimes during past 12 months



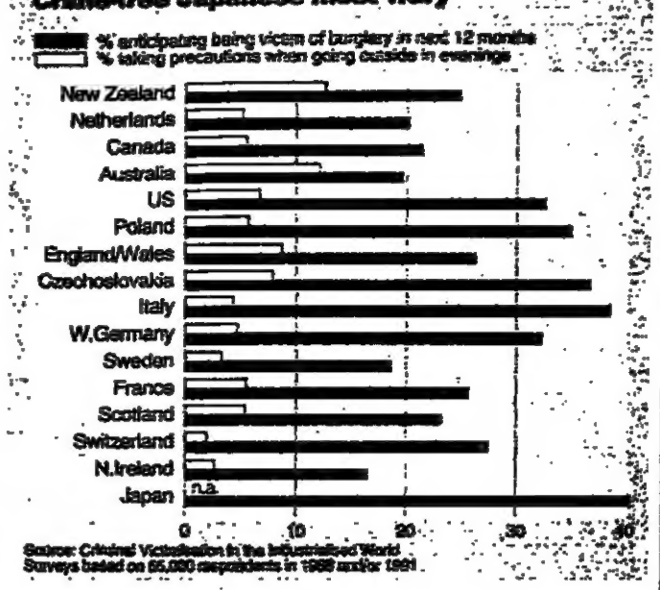

**Czechoslovaks and New Zealanders main targets for burglary**

% of victims during past 12 months

| | Sexual assault | Assaults with force | Burglary | Car theft |
|---|---|---|---|---|
| New Zealand | 1.5 | 2.5 | 4.3 | 2.7 |
| Netherlands | 0.9 | 2.0 | 2.2 | 0.4 |
| Canada | 1.8 | 2.3 | 3.2 | 1.1 |
| Australia | 1.9 | 2.8 | 4.0 | 2.7 |
| US | 1.5 | 2.2 | 3.5 | 2.3 |
| Poland | 2.0 | 1.9 | 2.2 | 0.6 |
| England/Wales | 0.3 | 1.1 | 2.5 | 2.8 |
| Czechoslovakia | 2.4 | 1.4 | 4.3 | 0.7 |
| Italy | 1.0 | 0.4 | 2.4 | 2.7 |
| W.Germany | 1.7 | 1.9 | 1.3 | 0.4 |
| Sweden | 0.8 | 1.4 | 1.4 | 1.7 |
| France | 0.6 | 1.5 | 2.4 | 2.4 |
| Scotland | 0.8 | 1.1 | 2.0 | 0.8 |
| Switzerland | *0.0 | 0.7 | 1.0 | *0.0 |
| N.Ireland | 0.4 | 1.1 | 1.1 | 1.6 |
| Japan | n.a. | n.a. | 0.9 | 0.7 |

* No crime in this category reported by respondents

**Crime-free Japanese most wary**




Source: Criminal Victimisation in the Industrialised World. Surveys based on 55,000 respondents in 1988 and/or 1991

## Indian airline strike ends

INDIAN Airlines pilots called off a 45-day strike yesterday after the government said it would consider their demands sympathetically, the Press Trust of India (PTI) news agency reported, Reuter reports from New Delhi.

The strike for higher pay played havoc with the domestic airline's schedule at the height of India's tourist season.

PTI said Civil Aviation Minister Ghulam Nabi Azad assured the pilots their demands would be considered "sympathetically... within the shortest possible time".

The Indian Commercial Pilots Association said it was satisfied with Mr Azad's assurance and flights would resume tomorrow.

The strike has disrupted the travel plans of the English cricket team now on tour.

Mr Antall, Hungarian premier (right), with actor Sandor Nemeth (centre) and Lajos Fur, defence minister, at his party's congress

# Antall fends off challenge from right wing of party

By Nicholas Denton in Budapest

MR Jozsef Antall has fended off the strongest challenge yet to his leadership of Hungary, by defeating a far-right bid for power within the governing Hungarian Democratic Forum party.

The prime minister's moderate supporters held on to their majority in the party presidium, conceding just five seats to the extremist Volk-national wing and retaining 15, at the party congress which ended yesterday. Mr Antall had threatened to resign unless the presidium stayed predominantly moderate.

Mr Istvan Csurka, the populist author who whipped up the far right with anti-semitic and anti-communist polemics, last night appeared chastened that he had been so clearly confronted and defeated. Nevertheless his support among the party activists was sufficient to save his place on the party presidium.

Qualified victory over the far-right also gives Mr Antall the chance of appealing to moderate voters and boosting the Forum's popularity in time for the elections – from the derisory 8 per cent it showed in the latest opinion polls.

The containment of the extremists also increases the prime minister's room for manoeuvre in the coalition negotiations which will would follow the election. Several potential partners had said that they could not work in government with Mr Csurka.

Government officials said that the main lines of economic and foreign policy would not change as a result of the congress. But, partly because of pressure from the Forum grassroots and partly because elections are approaching, the government may take some populist steps.

The congress gave priority to an anti-communist programme which would see trials of communist officials responsible for the suppression of Hungary's 1956 uprising against Soviet occupation, and to a purge of former secret police agents from positions of responsibility.



NEWS IN BRIEF

## Opinion poll shows few back Mitterrand

ONLY about one in four French – 26 per cent – are satisfied with President François Mitterrand, according to a weekend Ifop poll, writes David Buchan in Paris.

This is the French leader's lowest score since last August. The lift which the Maastricht referendum campaign and public sympathy for his prostate cancer gave Mr Mitterrand has now clearly worn off. Ifop gives a slightly increased favourable rating of 32 per cent to Mr Pierre Bérégovoy, the prime minister.

Both men score ahead of their Socialist party, which is expected to win only 20 per cent of the vote in the March parliamentary election.

### Kouchner urges Aids testing

Mr Bernard Kouchner, the French health and humanitarian action minister, yesterday urged all citizens who had been operated on or received a blood transfusion in the last 10-15 years to get themselves tested for Aids and hepatitis, Reuter reports from Paris.

France is still recovering from its worst modern health scandal, in which more than 1,200 haemophiliacs were infected with Aids after receiving transfusions from contaminated blood stocks in the mid-1980s.

Mr Kouchner also said he did not intend to run for parliament in elections this March.

Mr Kouchner told France 2 television he wanted time out to work for the world's oppressed.

Asked about his role in the elections, which opinion polls predict will give the conservative opposition a decisive win, he said he would take part in the government's campaign but nothing more.

### Largest Vienna rally in 50 years

Vienna saw Austria's largest rally for 50 years at the weekend, when 200,000 Austrians gathered to protest against an anti-foreigner initiative by the right-wing Freedom Party, writes Eric Frey from Vienna.

The demonstration was scheduled to coincide with the start of a controversial petition drive by the FPO and its charismatic leader, Mr Jörg Haider, calling for stricter immigration laws and other measures directed at foreigners.

The petition, which will be open for signing until next Monday, has brought together a broad range of political and religious groups in opposition to Mr Haider's initiative.

The FPO has won support for its anti-foreigner platform and nearly doubled its share of the vote in elections in Austria's second largest city of Graz yesterday, to 21 per cent.

### Journalist killed in Ankara

Two previously unknown Moslem groups, the Islamic Salvation and the Islamic Great East Raiders Front, have claimed responsibility for yesterday's killing of one of Turkey's leading journalists, writes John Murray Brown from Ankara.

Mr Ugur Mumcu, 50, columnist with the Istanbul daily Cumhuriyet and an authority on Islamic and Kurdish terror groups, was killed by a car bomb outside his home in the Turkish capital of Ankara.

Prime minister Suleyman Demirel immediately vowed to track down the killers.

### Russian space mission

Russia yesterday launched two cosmonauts into orbit aboard a Soyuz spacecraft, keeping alive a space programme in urgent need of financial support from the west, Reuter reports from Moscow.

The spacecraft is scheduled to link up with the Mir orbital space station tomorrow, using, for the first time, a manual docking system, rather than the previous automatic mechanism which failed on an expedition in 1991.

### Troops to Tajikistan

Tajikistan's leader yesterday said the Commonwealth of Independent States would be sending an additional 2,000 troops to the central Asian republic over the next 10 days to help police the border with Afghanistan, Reuter reports from Moscow.

Interfax news agency quoted the chairman of the Tajik parliament, Mr Imamali Rakhmonov, as saying four battalions, each of 500 men, would be dispatched to reinforce some 3,000 Russian troops already stationed on the 1,200-mile border.

Tajikistan's pro-communist government accuses Islamic rebels, armed and trained in Afghanistan by local guerrilla groups, of crossing the frontier to foment unrest.

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NEWS: INTERNATIONAL

# EC trade supremo has to hit the ground running

## Sir Leon Brittan talks to Andrew Gowers and Ian Hargreaves

SIR Leon Brittan - Queen's Counsel, former British cabinet minister and erstwhile European trust-buster - knows what it means to hit the ground running. But even by his standards, the initiation to his new job as EC commissioner for external economic affairs has set a demanding pace.

On January 2, four days before he formally took over the post, he found himself closeted all day with the seasoned US trade representative, Mrs Carla Hills, discussing an unfamiliar and highly technical subject: the prospects for a deal in the Uruguay Round of multilateral trade negotiations.

As power switched from President George Bush to his successor, Sir Leon has been plugging away to ensure that the trade talks do not get lost among competing priorities for the new administration.

Also, as the European Commission attempts to regain its bearings after the tumult of the last 12 months, he has been labouring to carve out a fiefdom to replace his previous stronghold at the head of the competition directorate.

In the US at least, he appears to be making headway. On Friday, within hours of the swearing-in of the new US trade representative, Mr Mickey Kantor, contacts had been opened to arrange a visit by Sir Leon to Washington. If as he hopes a meeting can be fixed this week, it will be an important sign that the momentum has not completely gone out of the Uruguay Round.

The European Commission vice-president is in no doubt as to where the onus for success or failure now lies. Indeed, he seems relieved that the Community is no longer in the dock as it was over agriculture last autumn. "Everything depends on the attitude of the US administration," he says. "What we have to establish is how high a priority it is for [President Bill] Clinton. We just don't know."

Sir Leon insists that the negotiations have not been marking time this month, despite another clutch of missed deadlines. The EC and US now have a clearer understanding, he says, of what sort of deal they will be able to strike on market access, notably concerning tariffs on textiles. In the end, the talks that continued in Geneva right up to Mr Clinton's inauguration were scuppered by the lack of time and by the ebbing authority of the outgoing administration.

It has not been easy for outsiders to predict the new team's stance towards the Gatt talks, and formulation of a coherent US policy may still have to await the outcome of Washington turf battles - - Mr Lloyd Bentsen, treasury secretary, Mr Ron Brown, commerce secretary, Mr Robert Rubin, director of the National Economic Council, and Ms Laura Tyson, chairwoman of the Council of Economic Advisers, all have claims to expertise in the trade area. But Sir Leon suspects that as the dust settles, Mr Clinton's approach will turn out to differ little from that of his predecessor.

"Nothing has happened so far to lead me to think they will take a fundamentally different view" from the Bush administration, he says. "If that is correct, and they give it adequate priority, it should be possible, with difficulty for all, to reach agreement this year."

Even that heavily qualified prediction will strike many observers, weary of years of mistaken optimism over the Uruguay Round, as unrealistic. For one thing, the negotiators do not have all year; in theory at least, they are working to a deadline of March 2, the date on which the congressional "fast-track" authority under which the US administration is negotiating expires.

The reality, as Sir Leon knows, is not quite so clear-cut. Mr Clinton could go to Congress in March with a very general statement of intent to reach a Gatt deal, while still negotiating with the EC and other contracting parties. Congress would then have 90 days to approve.

Sir Leon: 'Everything depends on the attitude of the US administration'

Though the commissioner does not say so himself, playing it long like this could have an extra advantage: it would mean that the EC itself would not have to pronounce on a Uruguay Round deal until after the French legislative elections in late March. At that point France, which threatened to veto the EC-US deal on agriculture at the end of last year, might be able to take a more relaxed view of the overall Gatt package.

Could internal divisions within the Community or the Commission destroy this delicate timetable? Sir Leon does not seem concerned. He notes that Mr Jacques Delors, the French president of the Commission, was party to an EC-US statement in December urging completion of the round by January 15 and that "not one voice has been raised, within or outside the Commission" against his energetic pursuit of further talks.

Sir Leon clearly wants to use his new post - with its weighty portfolio covering trade relations with other industrial countries, anti-dumping policy and, crucially, aid to eastern Europe and the former Soviet Union - to set the tone for a more outward-looking European Commission.

On eastern Europe, for example, he wants to make a strong push to get EC governments to accelerate the improvement of market access for central European countries' products, including some categories that have hitherto been regarded as too domestically sensitive for liberalisation.

"There is no better way of helping the countries of central and eastern Europe than expanding trade opportunities," he says, a tune which he will probably heard playing with great frequency this year.

But what of the new Commission itself? Three weeks into its term, it is attracting mixed notices. There have been reports of friction - not least between Sir Leon and Mr Hans van den Broek, who has responsibility for the EC's external political relations and enlargement.

There are also suggestions that the new team may slacken off in its enforcement of the single market and competition policy, and mutterings that the Commission is chastened and demoralised after having been used by member states as a whipping boy last year.

Sir Leon dismisses such talk. He says that what some see as new-found timidity on the part of the Commission reflects the Community's desire to apply "subsidiarity" - to take decisions and implement them at the appropriate level - and in the case of the single market, a sensible period of stock-taking.

On external policy, he sees no reason why he should not be able to work closely and constructively with his fellow liberal Mr Van den Broek. Whether the Commission as a whole is more or less economically liberal than its predecessor is, he insists, "much too early to say. We haven't had any votes yet, and that's what sorts things out."

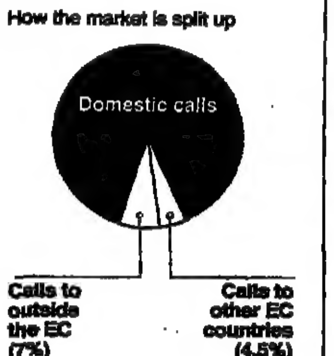
Nevertheless, even Sir Leon cannot quite disguise the overall political uncertainty that pervades the Brussels executive these days. This Commission is, after all, appointed only for two years; it may lose Mr Delors to French politics before the end of 1994; and the jockeying is already under way as to who will succeed him. Might Sir Leon be a candidate, as is being mooted privately within the British government? He laughs, and will say only: "I think that that is not a question that has arisen at the moment."

### The size of the EC telephone market

Total revenue 1990 (Ecu m)

| | |
|---|---|
| Germany | 21,227 |
| UK | 18,671 |
| France | 17,988 |
| Italy | 14,537 |
| Spain | 6,225 |
| Netherlands | 4,193 |
| Belgium | 2,371 |
| Denmark | 2,113 |
| Ireland | 987 |
| Portugal | 970 |
| Greece | 153 |
| Luxembourg | 153 |

How the market is split up




Source: European Commission

# Brussels battle over telecoms at crucial phase

By Daniel Green in London and Andrew Hill in Brussels

SINGLE MARKET WATCH

THE advent of the single market on January 1 marked a small step in the liberalisation of Europe's telecommunications industry. Some of the business of carrying computer data was opened to competition.

The industry and its customers barely gave the change a second thought. Their executives were busy lobbying Brussels over plans for far more dramatic deregulation: the opening up of the business of carrying ordinary telephone calls, a market worth Ecu90bn (£73bn) in 1990 and valued now at an annual Ecu110bn.

At stake is control of a fast growing industry. Turnover in European telephone calls is rising by more than 8 per cent a year, according to Daiwa Institute of Research in London.

This industry is dominated by a handful of state-owned monopolies. They earn almost 90 per cent of telephone revenues in the EC.

The European Commission wants this to change. It has called for representations from suppliers, customers and governments on how far liberalisation should go. These submissions should be filed by the end of this month.

The Commission has asked for views on four alternative proposals. One would be to freeze the process of liberalisation, reversing present policy. The second approach would call for Brussels to bring in centralised rules to cut the cost of calls - a policy which would contradict the EC's new emphasis on subsidiarity, or making decisions at the lowest level of government.

The other alternatives - which seem in practice more likely - would be to decide on either a partial deregulation or sweeping changes of the kind introduced in the UK.

The Commission has said it wants to see at least some further deregulation. But many member states are opposed to this. Views spread from the strongly free-market British Telecom and Mercury Communications, the UK post and telecommunications organisations (PTOs), to the pro-state monopoly governments in southern Europe.

Executives in London and officials in Brussels now suggest that the anti-liberalisation governments are bending to the will of the free-marketeers. This would be no mean victory. Voice telecommunications represent the core of an industry still seen in many countries as an arm of government. The debate is heavily influenced by ideology and emotion.

Publication of the Commission's plans was twice delayed last summer, partly because of concern about its impact on France's Maastricht referendum in September.

The conservatives have already lost ground. The Commission has pushed through reforms in the non-core activities of the PTOs. Legislation opening up the equipment market, for example, was approved in 1988.

Countries that a decade ago were once staunch opponents of liberalisation have allowed a measure of competition since the late 1980s. The UK remains the only EC country with two PTOs, but Germany and France have introduced competition into mobile telephony and in satellite links. Last week, a subsidiary of the US company MCI Communications received French government approval to run an independent satellite telecommunications network in France.

"In a matter of a very few years, attitudes have changed," says Mr Jonathan Rickford, BT's director of government relations. The UK, which deregulated in the early 1980s, "used to be regarded as a piece of Anglo-Saxon eccentricity. Now it is seen that that is the way the world is going."

None the less, recent political moves suggest that obstacles to deregulation may increase. In the EC commission, responsibility for telecommunications has passed to Mr Martin Bangemann, who adds it to his industry portfolio. Mr Karel van Miert, a Belgian socialist, has taken over competition policy from the free-marketeer Sir Leon Brittan.

Both Mr Bangemann and Mr Van Miert believe competition should not be the overriding factor in policy decisions - a sentiment in line with the attitude of some state telephone monopolies.

EC commissioners intend to approve a draft proposal on deregulation by early March. This would be presented to telecommunications ministers on May 10.

Commission officials concede it will take a year or more of detailed negotiations before legislation is approved. But, depending on the outcome of negotiations during the next few weeks, Europe's will to make real progress in deregulation will be tested very soon.

# Key Brazil economy post filled

By Christina Lamb in Rio de Janeiro

BRAZIL'S President Itamar Franco has appointed two women to run key ministries, completing his cabinet and confirming the government's centre-left slant.

Ms Yeda Crusius, an economics professor from the university of Rio Grande do Sul, takes over the important Planning Ministry from Mr Paulo Haddad, who was recently named economy minister. Ms Luiza Erundina, the left-wing former mayor of São Paulo, Brazil's largest city, is to be administration minister.

Both appointments have met widespread approval. A leading light of the radical Workers' Party (PT), Ms Erundina was widely respected as mayor, as well as for her no-nonsense attitude and honesty - a crucial qualification after the corruption scandal which brought down the last government.

Her acceptance of the ministry has, however, angered the leadership of the PT, which is theoretically in opposition but which now has two members in the government.

Ms Crusius, a member of the Social Democrats, is a friend of Mr Haddad and thus expected to avoid the usual conflicts between the economy and planning ministries.

She joins the economics team amid growing fears that inflation may again be moving out of control.

After more than a year of monthly inflation between 20 and 25 per cent, predictions for this month have been revised to 28 per cent and the president has summoned supermarket owners to explain price rises of 40 per cent in basic foods.

After accepting the post on Saturday, Ms Crusius said her priorities included development and cutting interest rates. Describing the free market as "a utopia", she said: "The state has a fundamental role in co-ordinating the market."

She would not be "a new Zelia", referring to the country's first female economy minister, who caused a scandal by her affair with the law minister, and then after resigning in 1991 authorised a biography which spared no detail.

# Iraqis may be returning missiles to no-fly zones

By George Graham in Washington and Mark Nicholson in Kuwait

MR LES ASPIN, the new US secretary of defence, yesterday said there were signs that Iraq was moving its surface-to-air missiles back into the no-fly zones. The US would need to watch the missiles in the next few days.

Mr Aspin said it was too early to say if President Saddam Hussein had broken his self-declared goodwill ceasefire. "I think it's a little soon to determine what's going on here since the Clinton administration took office. I think we're going to wait a couple of days to make sure," he said.

A US Navy jet bombed a radar site in southern Iraq on Saturday after Iraqi radar attempted to "lock on" to the jet. US military officials said they believed the aircraft had been fired on from the ground.

Iraq, however, denied that its air defences had opened fire on the aircraft and said it remained committed to its ceasefire declaration.

A United Nations team of nuclear weapons inspectors is set to fly into Baghdad today on a delayed but routine mission. They are expected to examine damage to the al-Rabiya site, south of Baghdad, which was attacked last week by US cruise missiles.

The mission, the 17th by nuclear weapons inspectors to Iraq since the end of the Gulf war, is led by Mr Maurizio Ziffero.

He said after the US raid that he was "very keen" to log the damage caused by the attack. The eight-member team will join about 70 UN inspectors who returned to Iraq last week after Baghdad belatedly agreed to their direct access to the country following intense US and UN pressure.

A team of ballistic missile experts will also fly into Iraq today.

UN officials said a large team of chemical weapons inspectors who entered last week had met no resistance from Iraqi officials in destroying chemical weapons.

## Commonwealth report likely to reinforce opposition claims that election victory was unfair

# Kenya poll overseer was removed from bench

By Michael Holman

MR Zachaeus Chesoni, the former judge who supervised Kenya's general election last month, was dismissed from the bench in May 1990 following the discovery that a state-owned bank was seeking his imprisonment in a bankruptcy action, according to the Commonwealth report on the poll published last night.

This and other disclosures from a Commonwealth file on Mr Chesoni, appointed chairman of the electoral commission by President Daniel arap Moi a year after his dismissal, are likely to reinforce opposition claims that Mr Moi's election victory was not free and fair. Opposition leaders sought Mr Chesoni's replacement as chairman of the electoral commission, but failed to get Commonwealth backing.

The documents, summarised in an annex to the report, were given to the Commonwealth observer group before Christmas. No mention of them was made in the group's initial assessment of the poll, issued on January 1. The heavily qualified endorsement of the election process was reaffirmed in yesterday's final report.

The annex says in 1984 Mr Chesoni's "business involvements caused him severe financial embarrassment". Bankruptcy proceedings were filed against him personally and winding up proceedings against the company through which he operated his business. The action was initiated by the Kenya Commercial Finance Company, a part of the state-owned Kenya Commercial Bank. In a letter to Mr Chesoni cited in the annex but not published, Mr Mathew Muli, then attorney-general, writes: "His Excellency the President... has sadly accepted your retirement."

It goes on: "With regard to bankruptcy proceedings against you personally, the bank has been directed not to press with bankruptcy proceedings but may proceed with the winding-up of the company. Any proceedings that may have been commenced are to be terminated or withdrawn from the court record in accordance with the rules."

In February 1990, says the annex, Mr Chesoni was reappointed an acting justice of appeal "presumably on the basis that his financial affairs had been brought to order. In fact that was not so. An application to commit him to prison in High Court case 1234 of 1984 was listed for hearing on 18 May 1990. He was asked to resign but did not do so."

The Judicial Service Commission found Mr Chesoni's conduct "inconsistent with the position, dignity and judicial integrity" of a judge.

A letter to Mr Chesoni from the Chief Justice, Judge Robin Hancox, demands his resignation "in view of your extreme financial embarrassment" and says Mr Chesoni "did not see fit to apprise" him of the application for his imprisonment. On May 15 Mr Chesoni was told that his appointment as acting justice of appeal would be revoked.

Earlier this month the Financial Times reported that in 1984 a state-controlled bank was ordered not to implement a bankruptcy judgment against Mr Chesoni. The action was revived in 1990, said the article, but in 1991 the bank was again ordered not to pursue it, say Nairobi legal sources.

In a statement issued before the Commonwealth report was made public, Mr Chesoni said: "It is absolutely untrue to suggest that the government played any part in resolving the [bankruptcy] dispute."

Mr Chesoni says in April 1984 he faced a claim for KSh18m (£322,000) plus interest. Of this, KSh17m was repaid, and agreement reached on payment of the balance.

"Prior to April 1990 execution proceedings had been taken against me," says Mr Chesoni: "As a result an order was made that I pay KSh3.5m and the balance to be agreed."

His lawyers subsequently "negotiated a full and final settlement of my liability". The sale of family property had raised KSh3m and he is no longer indebted to the bank, says the statement.

The Commonwealth report says Mr Chesoni's conduct as electoral commission chairman "cast a cloud over the electoral process", but his performance "improved dramatically" from mid-November. It adds that the observers "have not received information which would cast doubts" on denials by Mr Chesoni and other commission members that they "were associated with" or "taking directions from" Kenya's ruling party.

# Pakistan bombs leave 24 dead

By Farhan Bokhari in Islamabad

PAKISTANI security forces in the southern province of Sindh were last night investigating two bomb blasts in the city of Hyderabad, north of Karachi, which left 24 people dead and at least 60 injured.

The blasts are seen as a setback to the government of Mr Nawaz Sharif in its efforts to restore order in Sindh, whose capital, Karachi, is Pakistan's commercial centre.

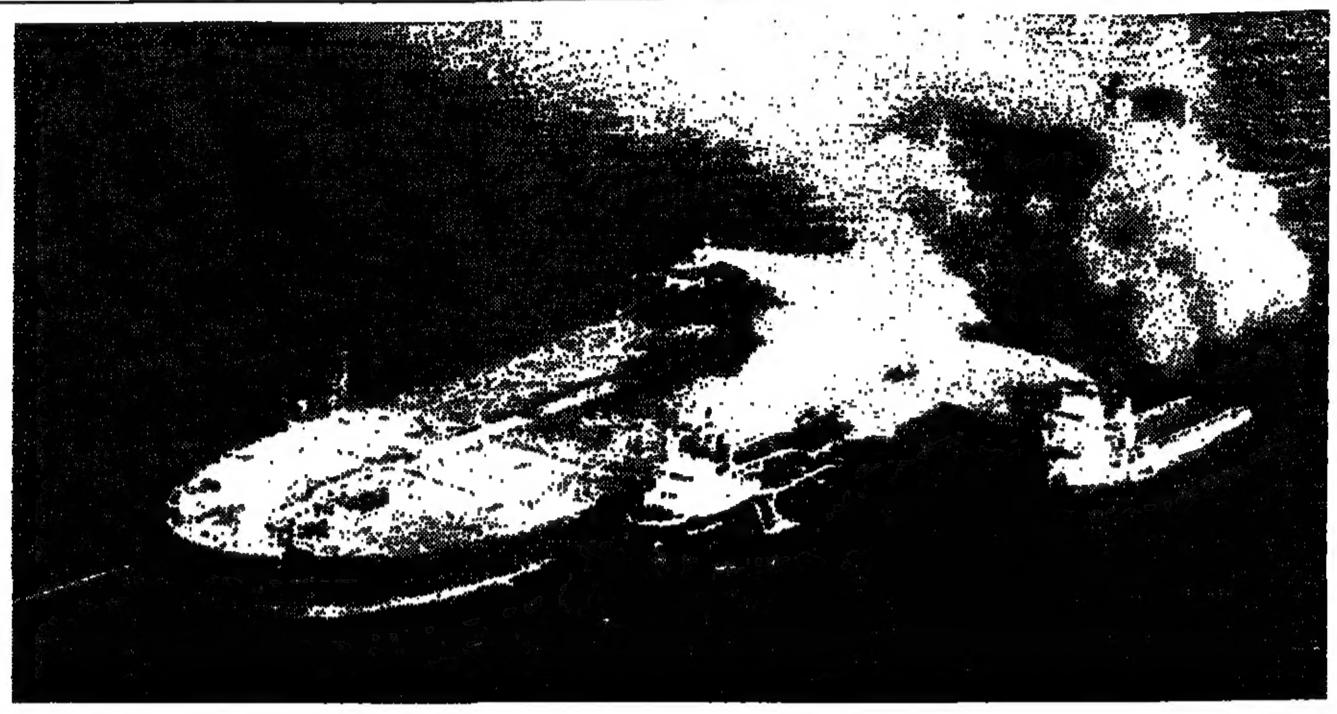
The government sent troops to the province last summer, after a crime wave shattered business confidence. Since then there has been a marked improvement in security.

Mr Muzaffar Hussain Shah, Sindh's chief minister, said the blasts were "meant to sabotage efforts by the federal and provincial governments to restore peace". He did not attribute responsibility for the blasts.

# Euphrates deal near

TURKEY and Syria have agreed to find a settlement this year to the long dispute over the allocation of water from the Euphrates river, according to the joint statement issued following last week's meeting in Damascus, writes John Murray Brown from Ankara.

Resolution of this dispute could open the way for vital financial support from hitherto wary international donors for Turkey's $23bn Gap development project.



# Fire burns on drifting supertanker

TUGS and firefighting vessels battled through the weekend to control a fire on board the Maersk Navigator (left), a 255,000-tonne, fully laden supertanker drifting between the Indonesian island of Sumatra and the Indian Nicobar Islands, Kieran Cooke writes.

A spokesman for the ship's owners yesterday claimed that "Extensive cooling of the vessel's hull is taking place and realistically it should be possible to extinguish the fire within the next 72 hours."

The ship's Danish owners yesterday said "a few tens of tonnes per hour" of crude was leaking from the vessel, and a narrow 15-mile slick of oil had been sighted.

# Malay sultans sense an end to the high life

## Government's gloves are off in the fight to limit royal powers, writes Kieran Cooke

THERE are few things as upsetting as seeing your own obituary in the newspapers. Recently life has been a bit like that for Malaysia's nine sultans, or hereditary rulers, who take turns as king.

The royalty is involved in a bruising battle with Dr Mahathir Mohamad, Malaysia's powerful prime minister. Over the weekend one of the country's national newspapers pointedly printed a list of the world's monarchs who had fallen by the proletarian wayside since the war.

The sultans sit in their palaces, bombarded by adverse publicity, sensing that their days of high living could be at an end.

Dr Mahathir wants to limit the sultans' powers. Last week the prime minister introduced a bill to parliament that would do away with constitutional provisions giving the royalty immunity from prosecution.

The move followed an incident in which the sultan of the southern state of Johor is alleged to have abused, then beaten up, a sports official.

But Dr Mahathir has a problem. The constitution stipulates that any action which alters the position of the royalty must be approved by the sultans themselves.

Persuasive techniques have been applied to make the sultans agree to the constitutional changes. Stories of royal high living and various alleged abuses of royal power began to appear in the media. The sultans seemed persuaded.

But then, at the last minute, they turned on Dr Mahathir, unanimously rejecting the constitutional changes.

Since then, the government gloves have come off. The government started by announcing that relatively trivial royal benefits, like special licence plates for their lavish fleets of cars, must go.

Special wards in hospitals reserved for the royalty would be opened to the public. Dr Mahathir would no longer seek a weekly audience with the king. There would be no more state funds for the upkeep of royal yachts, and no more allocations for work on royal homes.

By the end of last week Dr Mahathir had moved forward the big guns. In future, he said, funds would be given to the royalty only in strict accordance with the regulations. In effect, this means the withdrawal of many millions of dollars from the royals' purses.

Each day fuller stories of alleged royal misdemeanours have emerged.

One sultan is said to have been in the habit of opening fire on vehicles careless enough to come close to royal motorcades. Another is said to have sold timber concessions worth millions of dollars pay gambling debts.

There have been tales of manslaughter and, in one case, murder, with allegations made in parliament that a sultan killed his golf caddie.

The sultans are not entirely defenceless against this government directed barrage. Some sultans are extremely wealthy and able to cope with the tighter financial times.

They are still revered by many who see them as symbols of Malay identity. There are also those who also point to what they see as the lavish lifestyle of Malaysia's "new rajas" - some government ministers themselves.

Dr Mahathir insists he does not want to do away with the monarchy. But there are fears that the prime minister is seeking to add to his powers.

Parliament has passed Dr Mahathir's constitutional amendments. They now go to the king for approval. Dr Mahathir says he is determined to make the amendments law.

But if the rulers continue to withhold their consent then a constitutional crisis will develop.

## INTERNATIONAL ECONOMIC INDICATORS: NATIONAL ACCOUNTS

Figures for GNP/GDP are in billions of European currency units (Ecu). The first breakdown is in current prices and the second shows growth rates in the constant price series.

| CURRENT PRICES | UNITED STATES Gross National Product | Private Cons. (as a % of GNP) | Private Invest. | Govt. Spend. | Net Exports | JAPAN Gross National Product | Private Cons. (as a % of GNP) | Total Invest. | Govt. Cons. | Net Exports | GERMANY Gross National Product | Private Cons. (as a % of GNP) | Total Invest. | Govt. Cons. | Net Exports |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1985 | 5,317.6 | 65.8 | 17.6 | 19.1 | −2.9 | 1,780.2 | 58.7 | 28.0 | 9.5 | 3.7 | 825.5 | 56.4 | 19.5 | 19.9 | 4.1 |
| 1986 | 4,349.2 | 66.6 | 16.8 | 19.5 | −3.1 | 2,033.3 | 58.4 | 27.7 | 9.6 | 4.3 | 911.2 | 55.0 | 19.5 | 19.7 | 5.7 |
| 1987 | 3,937.8 | 67.2 | 16.5 | 19.4 | −3.1 | 2,102.2 | 58.4 | 28.4 | 9.4 | 3.8 | 967.5 | 55.3 | 19.2 | 19.8 | 5.6 |
| 1988 | 4,147.8 | 67.2 | 16.2 | 18.7 | −2.2 | 2,466.0 | 57.5 | 30.4 | 9.1 | 2.9 | 1,015.6 | 54.7 | 20.0 | 19.6 | 5.8 |
| 1989 | 4,780.6 | 66.9 | 15.8 | 18.5 | −1.5 | 2,625.2 | 57.3 | 31.5 | 9.1 | 2.1 | 1,087.2 | 54.4 | 20.6 | 18.6 | 6.4 |
| 1990 | 4,349.0 | 67.6 | 14.4 | 18.8 | −1.2 | 2,322.0 | 57.0 | 32.5 | 9.0 | 1.4 | 1,189.4 | 54.1 | 21.0 | 18.2 | 6.7 |
| 1991 | 4,596.0 | 68.3 | 12.7 | 19.1 | −0.4 | 2,726.2 | 56.2 | 32.2 | 9.1 | 2.5 | 1,287.1 | 53.9 | 21.2 | 17.8 | 7.1 |
| 4th qtr.1991 | 4,593.7 | 68.4 | 12.6 | 18.9 | −0.3 | 2,843.3 | 56.2 | 31.5 | 9.3 | 3.0 | 1,306.0 | 54.1 | 20.6 | 17.8 | 7.3 |
| 1st qtr.1992 | 4,642.2 | 68.7 | 12.3 | 18.8 | −0.1 | 2,866.9 | 56.5 | 31.4 | 9.1 | 3.0 | 1,346.4 | 53.6 | 22.0 | 17.8 | 6.7 |
| 2nd qtr.1992 | 4,648.7 | 68.7 | 13.1 | 18.8 | −0.6 | 2,850.3 | 56.1 | 31.3 | 9.3 | 3.3 | 1,354.6 | 53.3 | 21.7 | 17.9 | 7.1 |
| 3rd qtr.1992 | 4,332.3 | 68.6 | 13.0 | 18.8 | −0.6 | 2,714.6 | 56.8 | 30.7 | 9.3 | 3.2 | 1,375.6 | 53.5 | 20.2 | 18.8 | 7.5 |

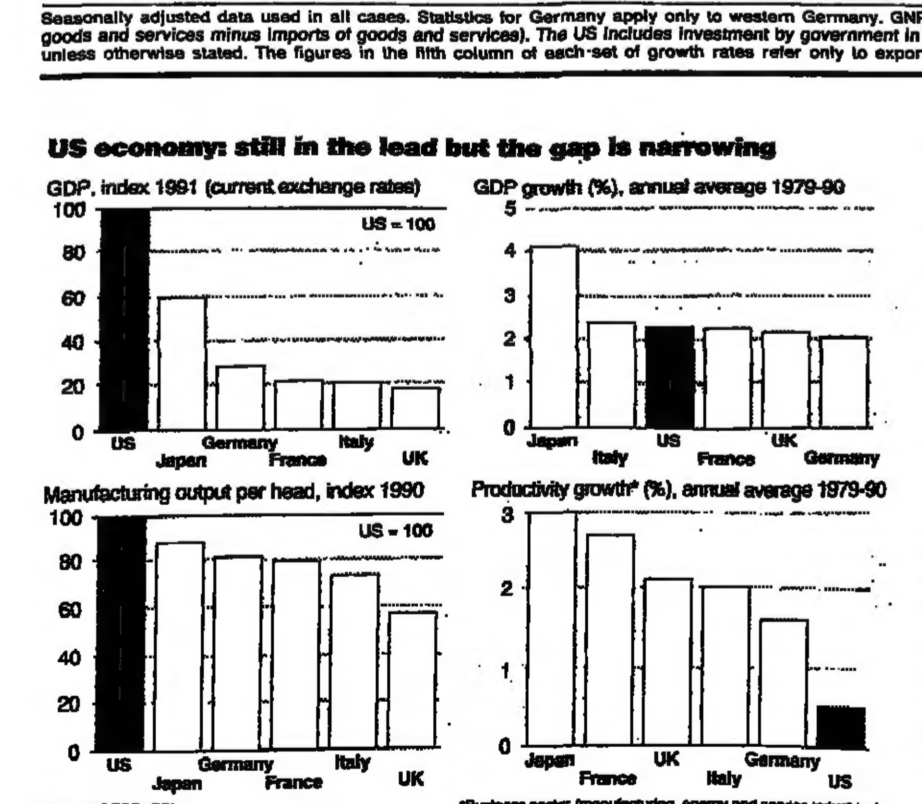
| CURRENT PRICES | FRANCE Gross Domestic Product | Private Cons. (as a % of GDP) | Total Invest. | Govt. Cons. | Net Exports | ITALY Gross Domestic Product | Private Cons. (as a % of GDP) | Total Invest. | Govt. Cons. | Net Exports | UNITED KINGDOM Gross Domestic Product | Private Cons. (as a % of GDP) | Total Invest. | Govt. Cons. | Net Exports |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1985 | 691.8 | 60.5 | 18.9 | 19.6 | 0.7 | 561.8 | 62.6 | 22.5 | 16.7 | −1.8 | 606.5 | 61.3 | 17.1 | 20.7 | 0.9 |
| 1986 | 746.1 | 60.2 | 19.6 | 19.2 | 1.0 | 615.7 | 62.2 | 20.9 | 16.5 | 0.4 | 573.7 | 63.1 | 16.9 | 20.6 | −0.7 |
| 1987 | 770.5 | 60.6 | 20.2 | 19.1 | 0.1 | 658.4 | 62.4 | 21.0 | 16.9 | −0.3 | 600.9 | 63.2 | 17.8 | 20.2 | −1.1 |
| 1988 | 815.2 | 59.8 | 21.4 | 18.7 | 0.1 | 710.6 | 61.9 | 21.5 | 17.1 | −0.5 | 709.5 | 64.1 | 20.1 | 19.5 | −3.6 |
| 1989 | 877.7 | 59.5 | 22.1 | 18.3 | 0.1 | 790.8 | 62.4 | 21.3 | 16.9 | −0.6 | 786.0 | 64.1 | 20.6 | 19.2 | −4.0 |
| 1990 | 938.1 | 59.8 | 22.1 | 18.2 | 0.0 | 861.1 | 62.0 | 20.7 | 17.7 | −0.4 | 770.2 | 63.6 | 19.0 | 20.0 | −2.6 |
| 1991 | 967.5 | 60.3 | 20.9 | 18.6 | 0.3 | 932.1 | 62.5 | 20.3 | 17.7 | −0.5 | 820.8 | 64.0 | 15.7 | 21.2 | −0.9 |
| 4th qtr.1991 | 985.7 | 60.6 | 19.9 | 18.8 | 0.6 | 956.9 | 62.7 | 20.1 | 17.5 | −0.7 | 829.2 | 64.2 | 16.6 | 21.3 | −1.1 |
| 1st qtr.1992 | 1,002.9 | 60.1 | 20.2 | 18.6 | 1.0 | 968.1 | 63.0 | 20.1 | 17.4 | −1.0 | 824.8 | 64.4 | 15.4 | 21.5 | −1.3 |
| 2nd qtr.1992 | 1,017.4 | 60.0 | 19.6 | 18.7 | 1.6 | 968.2 | 63.5 | | | | 847.4 | 64.4 | 15.1 | 21.8 | −1.3 |
| 3rd qtr.1992 | 1,035.4 | 60.4 | 19.5 | 18.7 | 1.4 | | | | | | 825.5 | 64.8 | 15.0 | 21.8 | -1.6 |

| CONSTANT PRICES (% growth in) | US GNP | Cons. | Invest. | Govt. | Exports | JAPAN GNP | Cons. | Invest. | Govt. | Exports | GERMANY GNP | Cons. | Invest. | Govt. | Exports |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1985 | 2.9 | 4.4 | −1.5 | 6.1 | 1.2 | 5.1 | 3.3 | 6.6 | 1.7 | 6.5 | 2.1 | 1.5 | −0.9 | 2.0 | 7.6 |
| 1986 | 2.8 | 3.6 | −1.5 | 5.2 | 6.6 | 2.7 | 3.4 | 4.3 | 4.5 | −5.3 | 2.2 | 3.4 | 3.9 | 2.5 | −0.1 |
| 1987 | 3.0 | 2.8 | 1.9 | 3.0 | 10.5 | 4.3 | 4.2 | 8.2 | 0.4 | 4.6 | 1.4 | 3.3 | 1.2 | 1.5 | 0.5 |
| 1988 | 4.0 | 3.6 | 3.2 | 0.6 | 15.8 | 6.3 | 5.2 | 14.2 | 2.2 | 10.7 | 3.5 | 2.5 | 7.8 | 2.2 | 5.6 |
| 1989 | 2.7 | 1.9 | 1.4 | 2.0 | 11.9 | 4.8 | 4.3 | 9.6 | 2.0 | 15.0 | 4.0 | 3.0 | 6.7 | −1.6 | 11.9 |
| 1990 | 0.9 | 1.2 | −5.7 | 2.8 | 8.1 | 4.8 | 4.0 | 7.9 | 1.9 | 10.6 | 5.0 | 5.3 | 7.1 | 2.4 | 11.7 |
| 1991 | −1.2 | −0.6 | −10.6 | 1.2 | 5.8 | 4.1 | 2.2 | 3.8 | 1.7 | 4.8 | 3.6 | 3.6 | 4.2 | 0.6 | 12.7 |
| 4th qtr.1991 | −0.3 | 0.0 | −0.5 | −0.6 | 7.4 | 3.2 | 2.9 | 0.5 | 0.3 | 5.9 | 1.3 | 1.8 | −1.9 | 2.2 | 6.6 |
| 1st qtr.1992 | 1.4 | 2.0 | 3.5 | −0.9 | 9.6 | 2.6 | 3.7 | −0.3 | 0.6 | 3.6 | 1.2 | 0.6 | 6.3 | 3.6 | 3.4 |
| 2nd qtr.1992 | 1.4 | 1.5 | 9.9 | −1.2 | 5.1 | 2.0 | 1.6 | −0.3 | 2.4 | 3.3 | 1.1 | −0.4 | 0.1 | 2.8 | 3.7 |
| 3rd qtr.1992 | 2.1 | 2.1 | 7.9 | 0.3 | 5.8 | 1.1 | 1.4 | −2.9 | 3.9 | 1.2 | −0.1 | 1.4 | −4.0 | 2.0 | 2.8 |

| CONSTANT PRICES (% growth in) | FRANCE GDP | Cons. | Invest. | Govt. | Exports | ITALY GDP | Cons. | Invest. | Govt. | Exports | UK GDP | Cons. | Invest. | Govt. | Exports |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1985 | 1.9 | 2.4 | 2.8 | 2.3 | 1.9 | 2.6 | 3.0 | 1.8 | 3.4 | 3.2 | 3.9 | 3.8 | 3.5 | 0.0 | 5.9 |
| 1986 | 2.5 | 3.9 | 8.6 | 1.7 | −1.4 | 2.9 | 3.7 | 1.4 | 2.6 | 2.5 | 4.1 | 6.4 | 2.2 | 1.6 | 4.7 |
| 1987 | 2.3 | 2.9 | 5.1 | 2.8 | 3.1 | 3.1 | 4.2 | 4.6 | 3.4 | 4.7 | 4.8 | 5.5 | 10.2 | 1.2 | 5.6 |
| 1988 | 4.5 | 3.3 | 9.8 | 3.4 | 8.1 | 4.1 | 4.2 | 6.3 | 2.8 | 5.4 | 4.4 | 7.4 | 18.1 | 0.9 | −0.1 |
| 1989 | 4.1 | 3.3 | 7.8 | 0.3 | 10.2 | 2.9 | 3.5 | 2.3 | 0.8 | 8.8 | 2.1 | 3.3 | 5.2 | 0.9 | 3.8 |
| 1990 | 2.2 | 2.9 | 2.2 | 1.9 | 5.5 | 2.2 | 2.8 | 2.0 | 1.3 | 7.8 | 0.6 | 0.7 | −7.4 | 3.2 | 4.9 |
| 1991 | 1.1 | 1.5 | −2.0 | 2.9 | 3.6 | 1.4 | 2.8 | 1.4 | 1.7 | −0.8 | −2.3 | −2.0 | −13.2 | 2.7 | 0.2 |
| 4th qtr.1991 | 1.8 | 2.1 | −3.3 | 2.8 | 5.0 | 1.7 | 2.5 | 6.4 | 1.5 | −1.8 | −1.2 | −2.0 | −3.9 | 1.3 | 2.2 |
| 1st qtr.1992 | 2.6 | 2.2 | −2.3 | 2.5 | 8.3 | 1.9 | 2.5 | 6.1 | 1.4 | 5.3 | −1.3 | −1.9 | 0.7 | 1.4 | 4.4 |
| 2nd qtr.1992 | 2.2 | 1.3 | −0.9 | 2.7 | 6.3 | 1.6 | 2.3 | 2.5 | 1.1 | 4.3 | −0.8 | −0.2 | 5.1 | -0.6 | 2.5 |
| 3rd qtr.1992 | 1.6 | 2.2 | −4.7 | 2.5 | 4.0 | 0.8 | 1.8 | −6.3 | 0.8 | 9.5 | −1.0 | 0.3 | 3.4 | −0.8 | 0.8 |

Seasonally adjusted data used in all cases. Statistics for Germany apply only to western Germany. GNP/GDP is broken down into private consumption expenditure, investment (the sum of gross fixed capital formation and the change in stocks), general government final consumption, and net exports (exports of goods and services minus imports of goods and services). The US includes investment by government in the government series rather than under investment. Quarterly GNP/GDP totals are annualised. The growth rates are the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The figures in the fifth column of each set of growth rates refer only to exports, rather than to net exports. Data supplied by Datastream and WEFA from national government sources.

**US economy: still in the lead but the gap is narrowing**




Source: OECD, CBI

*Business sector (manufacturing, energy and service industries)

# The US puts its poor and huddled masses to work

MR ROBERT REICH, labour secretary in President's Bill Clinton's new cabinet, used to set a test each year for his graduate students at the Kennedy School of Government, Harvard University.

The idea was simple. The students were asked to vote for one of two options for economic growth rates in the US and Japan over the next decade: either the US and Japan both grow at 1 per cent a year, or the US grows at 2 per cent a year and Japan grows at 3 per cent.

The minority group of foreign graduates voted for the latter option. But most of the aspiring American public policy students, and thus the majority of the 250-strong class, preferred the former option - and thus a lower US growth rate - rather than have a faster-growing Japan. The reason, presumably, was that they recognised the link between economic supremacy and political power and thus the implicit threat that Japan poses to the world's largest democracy.

There was an echo of this sentiment in the recent remarks of Mr Michael Boskin, the outgoing chairman of the council of economic advisers. Pouring cold water on unease about the supposed long-term decline of the US economy relative to other countries, he pointed out that the US has a growing share of the industrial output of the developed economies and the highest level of industrial productivity.

Yet the Kennedy School students should not be totally satisfied with these comparisons. Yes, the US still has the largest gross domestic product in the world. Using current exchange rates, which understate US incomes, Japanese GDP is still only 60 per cent of US GDP. But no statistics can disguise the fact that Japan is catching up. Japanese GDP grew at 4.1 per cent a year between 1979 and 1990 compared to 2.3 per cent a year in the US, although France, the UK and west Germany all posted slower growth rates than America.

Mr Boskin is also correct to highlight America's relatively high level of labour productivity, as the chart shows. Value-added output per worker in manufacturing was 14 per cent higher than in Japan in 1990 and 75 per cent higher than in Britain. But, once more, Japan is catching up. Business sector productivity, which also includes energy and private service industries, grew by an average 3 per cent a year in Japan in the 1980s. Germany managed a modest 1.6 per cent a year, but US business sector productivity grew by a mere 0.5 per cent a year.

This recent dismal record of US productivity growth in the business sector, alongside a declining share of investment in GDP, helps explain why the US electorate was in a mood for change at the recent election. It also justifies the remark of Ms Laura Tyson, Mr Boskin's successor at the CEA, that America's recent economic performance posed a potentially devastating threat to US living standards.

Yet the evidence is slightly harder to interpret than Ms Tyson suggests. Average real wages barely grew at all in the 1980s, while the real wages of the low paid fell sharply. But disposable income per head was able to grow at 1.5 per cent a year, over twice as fast as economy-wide productivity. The reason is that the number of US wage earners grew relatively rapidly as a proportion of the total population, by 0.5 per cent a year. The rise in female employment as a percentage of the female population in the 1980s was greater in the US than in Japan or the main European countries. And the percentage of US men with jobs also rose, by 1.6 percentage points, while the ratio of male employment to the population fell elsewhere.

So the growth in US living standards, while slower than in Europe, was spread across a greater proportion of the population. The UK, by contrast, is currently managing to achieve rapid productivity growth, but only because employment is falling even faster than output. President Clinton plans to boost employment and productivity growth during his first administration. But unless he finds a way to increase investment and the skills of the labour force, he will find that these objectives are contradictory.

**Edward Balls**

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# Major to consider shelving privacy law

By Philip Stephens, Political Editor

MR JOHN Major is ready to consider shelving proposals for a new privacy law if UK newspapers significantly strengthen the self-regulatory Press Complaints Commission.

The government has signalled its determination to introduce new criminal legislation against the use by the press of electronic surveillance, bugging and trespass. But Mr Major is hesitant over separate proposals for new civil law measures to protect individual privacy.

Senior officials have begun drafting the legislation but the prime minister has let it be known he would prefer, if possible, tighter self-regulation.

An extension of the law to cover privacy is backed by a number of senior cabinet ministers including Mr Kenneth Clarke, the home secretary. But Mr Major recognises such a law would face difficulties. Without an extension of the legal aid system, redress would remain out of reach for the individuals whom it would be designed to protect.

# Employers see more optimism in UK industry

By Peter Norman and Daniel Green

OPTIMISM in British industry has increased sharply over the past three months but the outlook for investment and jobs remains bleak, according to the latest quarterly industrial trends survey from the Confederation of British Industry.

The survey by the employers organisation, to be published later today shows the number of companies that are more optimistic about the general business situation than four months ago exceeds the number expressing pessimism by 11 percentage points.

In the last survey, at the time of September's currency crisis, pessimists out-numbered optimists by 23 points.

The findings set a hopeful tone ahead of economic indicators due this week. However, trade data on Thursday are likely to show imports exceeding exports by more than £1bn while money supply figures out today are unlikely to show a trend towards recovery.

The CBI survey says companies expect a small rise in output in the months ahead. Expectations are polled monthly by the CBI and the latest survey found a positive balance of 2 percentage points in companies expecting output to rise in the next four months against a balance of minus 7 points in December.

The survey found the number of companies reporting increased export orders exceeded those reporting a decrease by 18 percentage points this month. This compares with a positive balance of just 6 points in October.

On exports, expectations remained optimistic: the balance of companies positive about export prospects over the coming year was 19 percentage points.

A revival, however, of optimism and exports has not translated into any willingness to increase staff or investments. This will increase pressure on Mr Norman Lamont, the chancellor, to cut interest rates and craft his March 16 Budget with the aim of helping industry and creating jobs.

# Pit rescue plan may be financed by borrowing

By Ivo Dawnay and Michael Smith

THE Treasury is reconciled to meeting the cost of a pit rescue plan by borrowing rather than passing on the bill for coal subsidies to electricity consumers, it was claimed last night.

As Mr John Major interrupted his tour of India to play down reports of cabinet wrangling over the rescue plan, officials in London confirmed an outline package is close to conclusion.

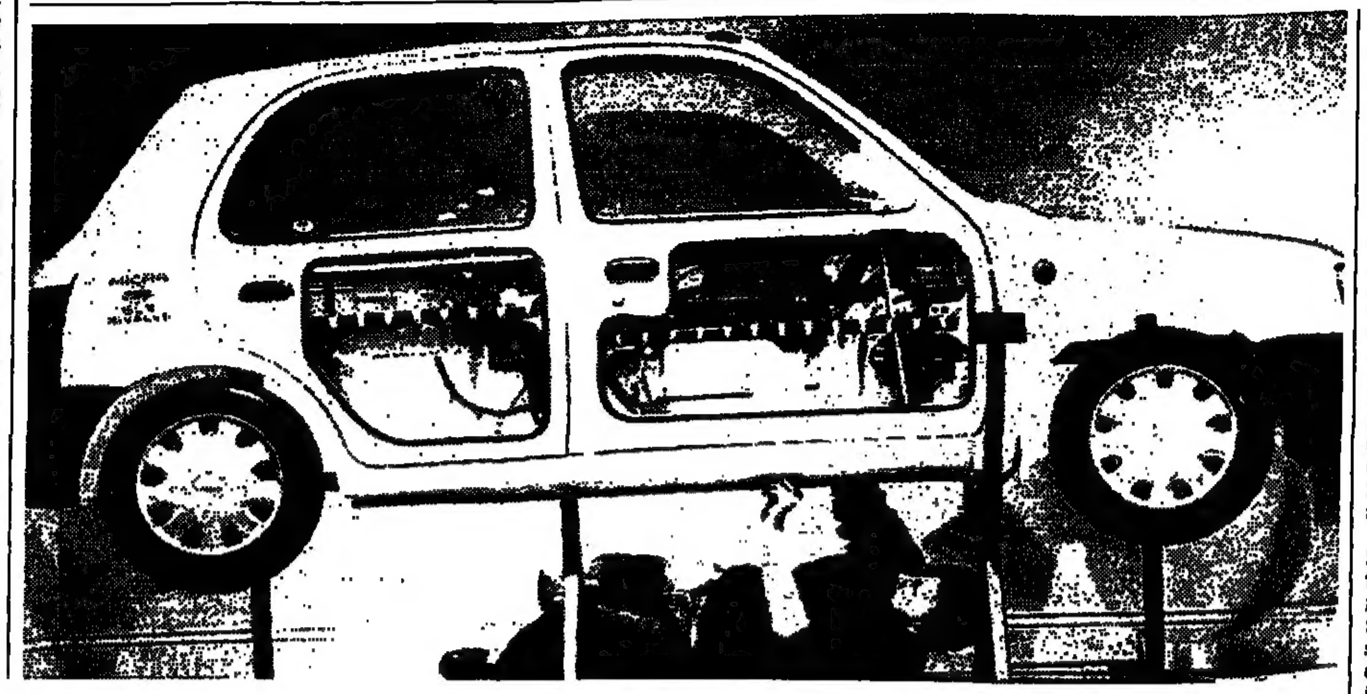
Speaking in a BBC radio interview, the prime minister tacitly acknowledged yesterday that the coal controversy had sparked a fierce debate at the highest level of the government. But he insisted that ministers were united in their determination to create a "sustainable" coal industry.

Downing street officials travelling with Mr Major said the key goal now was "managing transition" to enable as many as possible of the 31 pits under the closure threat to improve their productivity in such a way as to become competitive with world markets.

In London, Mr Michael Heseltine, the president of the board of trade, also hinted that a compromise deal was near. He told the BBC: "If you give British Coal a significant period of time and subsidise them through the process...they may get to a point where they are competitive."

But he added: "All these options have a price tag." A key factor in the government's calculations comes later this week when Mr Heseltine is presented with the report by the Commons trade and industry select committee. The 11 MP members have two days of deliberations before publishing what could be one of the most influential reports in recent years by a select committee.

The narrowness of conservative majority and divisiveness of the pits issue mean Mr Heseltine will have to adopt at least some of the committee's recommendations if he is to steer his own proposals, due for publication, through parliament.



A DESIGN worker at the Northern Centre for Contemporary Art in Sunderland prepares a Nissan Micra, the latest model in production at the company's north of England plant, for a new exhibition – Micra-Processes. The display aims to highlight the artistic merits of the vehicle

# End in sight to insurance liquidation

AFTER 27 years, creditors of an insolvent insurance company have been offered their first payment, signalling an end to one of Britain's longest company liquidations, Andrew Jack writes.

Liquidators of St Helen's Insurance, which stopped writing new business in 1966, have offered to pay a dividend at the end of next year provided creditors make no further claims against the business.

The company has less than £30m in assets against liabilities of nearly £87m indicating a maximum dividend of 34p in the pound. St Helen's represents a microcosm of the calamities which have hit insurers in the last 30 years. The company, founded in 1938, temporarily ceased underwriting in 1965 after receiving claims for more than £1m following Hurricane Betsy. This caused catastrophic damage in the south east US and generated the largest ever insured loss from a single disaster at the time, of more than $1bn.

## Britain in brief

### MacGregor rejects BR closure fear

Mr John MacGregor, transport secretary, has denied rail privatisation would bring widespread line closures but refused to guarantee that the present network would be preserved indefinitely.

Mr MacGregor was responding to weekend speculation that the government's privatisation plans, published in the Railways Bill on Friday, could lead to the closure of up to 1,000 miles of branch and rural lines. He said loss-making services would continue to be subsidised.

### Borrie to head advice trust

Sir Gordon Borrie, the former Director General of Fair Trading, has become chairman of the Money Advice Trust, which collects donations from banks and building societies to fund debt counselling at institutions such as Citizens Advice Bureaux. Sir Gordon, who succeeds Sir George Blunden, has been appointed in an effort to raise the level of donations. Although the trust has a target of attracting £3m a year, it was given only about £235,000 last year, which was its second full year of operation.

### Council fails to agree inquiry

Lambeth council's ruling Labour group has failed to agree the form of an inquiry into the chief executive's allegations of "unprecedented" fraud, despite meetings lasting into the early hours of Saturday morning in the south London borough.

Mr Steve Whaley, Lambeth's Labour leader, said that reports that Mr Andrew Arden QC, a leading housing law practitioner, would carry out the inquiry were "premature" and that a decision would not be taken until further meetings in 10 days' time.

### Discount food stores flourish

Discount food retailers are becoming a significant force in the UK food market and could double their sales by 1996, according to a report published today by Verdict, the retail market research company.

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ECONOMICS

# Markets focus on latest indicators for signs of renewed UK activity

AFTER A week of worryingly bleak indicators on the UK economy, today's M4 lending figures and Confederation of British Industry manufacturing trends survey will be scrutinised all the more carefully for signs that consumer and business activity is stirring.

M0, mainly notes and coins in circulation, has shown a strong rise for two consecutive months, but M4 bank lending - bank and building society lending - fell by £600m in November. Most economists are forecasting only a moderate rise in December.

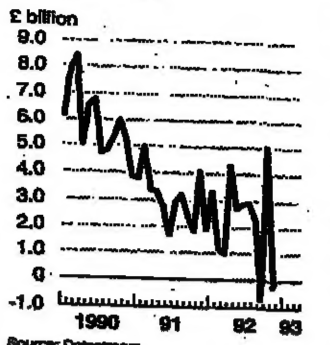
"It seems that underlying demand from both the personal and corporate sectors remains hesitant, though we expect some pick up in response to the lower interest rates over the next six months," said Ms Ruth Lea, chief economist at Mitsubishi Bank in London.

The CBI survey will give an indication of business sentiment, activity and pricing intentions. Many economists are expecting a more optimistic survey than the last quarterly analysis which was carried out before most of the latest base rate cuts.

This week also sees the last of the current series of UK trade figures. After Thursday there will be no more data for intra-EC trade until June while a new system, in line with the single market, is introduced.

The black-out will be imposed on a sad state of affairs. The visible trade deficit in November

**M4 lending**




was a worse-than-expected £1.4bn, with the value of imports up by more than the increase in exports. That took the cumulative trade deficit for the first 11 months of last year to £12bn.

Here are some of the week's other economic highlights. The figures in brackets, from MMS International, are the median of economists' forecasts.

**Today:** UK, Confederation of British Industry quarterly industrial trends survey, December M4 (up 0.4 per cent on month, up 4.3 per cent on year), December M4 lending (£1.8bn), major British banking groups' monthly statement, December building societies net new commitments (£2bn); Italy, January CPI, cities (up 5 per cent on year); US, December existing home sales, fourth quarter housing vacancies, auto sales January 11-20.

**Tomorrow:** France, December trade balance (FFr1.1bn surplus); US, January consumer confidence (78 per cent), fourth quarter employment cost index (up 0.8 per cent on quarter), Johnson Red Book, December Treasury Budget (-$32bn); Japan, November coincident indicator.

**Wednesday:** Japan, December industrial production (down 0.2 per cent), December retail sales (down 5 per cent on year); US, Alan Greenspan testifies before the Joint Economic Committee in Washington regarding policy and economic outlook; Canada, December industrial production price index (up 0.4 per cent on month), raw materials price index (down 0.3 per cent on month); Germany, the Construction Industry Union, IG Bau, sets wage demand.

**Thursday:** UK, December current account (£1.3bn deficit), December visible trade (£1.5bn deficit), December new vehicle registrations; France, December CPI; US, fourth quarter GDP (up 3 per cent), GDP deflator (up 2.5 per cent), Initial claims week ending January 16 (350,000), state benefits week ending January 9, money supply data for week ending January 18; Australia, fourth quarter CPI (up 0.7 per cent on quarter, up 0.6 per cent on year).

**Friday:** France, December unemployment rate; US, December durable goods orders (up 1.2 per cent), December durable shipments, December personal income (up 0.3 per cent), December personal consumption expenditure (up 0.6 per cent), January Chicago NAPM, January Michigan Sentiment index, December export price index, import price index, January agriculture prices, December bank credit; Canada, November real GDP (up 0.2 per cent on month), November employment earnings (up 2.6 per cent on year); Japan, December housing starts (up 8.9 per cent on year), December construction starts.

**During the week:** Japan, January trade balance, December current account, December trade balance, December foreign bond investment; Germany, regional January cost of living, preliminary cost of living (up 0.9 per cent on month, up 4.2 per cent on year), December M3, December import prices (flat on month, down 2.4 per cent on year); Italy, December official reserves (L53trillion), December trade balance (L8trillion deficit), December hourly wage (up 2.1 per cent), December balance of payments (L3.4trillion surplus), December cumulative PSBR (L161.7trillion), December bank lending (up 11.5 per cent), December M2 (up 6.7 per cent on year); Belgium, January CPI (up 2.3 per cent on year).

**Emma Tucker**

## PARLIAMENTARY DIARY

■ **TODAY**
**Commons:** *Questions to National Heritage Secretary and Chancellor of the Duchy of Lancaster.* National Lottery Bill, second reading.
**Lords:** Agriculture Bill, Report. Bankruptcy (Scotland) Bill, third reading.
**Committee:** Public accounts – social security appropriation account 1991-92, 4.30pm. Witness: *Sir Michael Partridge*, permanent secretary, social security department, and Mr Michael Bichard, chief executive, Benefits Agency.

■ **TOMORROW**
**Commons:** Health questions. Questions to the Prime Minister (taken by Leader of the House Tony Newton). Debate opened by the Opposition on "the crisis in the health service". Financial Assistance to SCA Aylesford, motion. Food Protection (Emergency Prohibitions) (Oil and Chemical Pollution of Fish) Order.
**Lords:** Asylum and Immigration Appeals Bill, second reading. Parliamentary Constituencies (Wales) (Miscellaneous Changes) Order. Debate on aid to Malawi.
**Committee:** Social security – the operation of pension funds, 10.30am. Witness: Mr Basil Brookes, *ex-finance director* MMC.

■ **WEDNESDAY**
**Commons:** Environment questions. European Communities (Amendment) Bill, *committee*.
**Lords:** Debates on motor transport in city centres, recruitment and training of of those engaged in residential care of children and Europol. Housing (Fitness Standard) (Amendment) Bill, second reading.
**Committees:** Environment – eco-labelling. 9.15am. Witnesses: department officials.
Transport – future of the railways. 10.15am. Witnesses: Lord Prior of Brampton; Sir Bob Reid, chairman of British Rail. 3.15pm. Witnesses: Castle Cement Ltd; Mr K *Irvine*, British Bus; Mr J Smith, former BR senior *manager*; Mr R Horton, ex-chairman of BP now on board of BR.
Defence – UK peacekeeping and intervention forces, 10.50am. Witnesses: Ministry of defence officials.
Foreign affairs – role of the United Nations, 11.00am. Witness: *British Red Cross*.
Employment – management of large-scale redundancies, 4.15pm. Witness: Sir Peter Walters, chairman, Blue Circle Industries.
Health – community care, 4.15pm. Witnesses: representatives of regional health authority/social services inspectorate monitoring teams and the community care support force.
Public accounts – property services agency appropriation account 1991-92. 4.15pm. Witness: Sir Geoffrey Chipperfield, chief executive and second permanent secretary, PSA.
Education – local management of schools, 4.30pm. Witness: Mr Eric Forth MP, parliamentary under-secretary for schools.
Treasury and civil service – EC monetary and budgetary matters, 4.30pm. Witness: Sir John Cope MP, paymaster-general.

■ **THURSDAY:**
**Commons:** Agriculture questions. Questions to the Prime Minister (taken by Leader of the House Tony Newton). European Communities (Amendment) Bill, committee.
**Lords:** Social Security Bill, remaining stages. Insurance Companies (Amendment) Order. Industrial Training Levy orders. British Railways Bill, second reading. Salmon (Definition of Methods of Net Fishing and Constructions of Nets) (Scotland) Regulations.
**Committees:** Foreign affairs – role of the United Nations, 10.30am. Witness: Mr Douglas Hurd MP, foreign secretary.
National heritage – privacy and media intrusion, 10.30am. Witnesses: the Guild of British Newspaper Editors; Mr Robert Borzello; Mr Tony Hall, director, news and current affairs, BBC.

■ **FRIDAY**
**Commons:** Backbench business – Freedom and Responsibility of the Press Bill.
**Lords:** Not sitting.

## RESULTS DUE

A FALL in interim profits is expected when WH Smith, the retail and distribution group, announces figures to the end of November on Wednesday.

Losses in Do It All, its do-it-yourself joint venture with Boots, will drag profits lower, from £50.1m to around £45m pre-tax, analysts reckon, including the pension credit Smith enjoys. Investors will also be looking for a report on Christmas trading.

It is the January sales which are critical for MFI Furniture Group, the kitchen and bedroom retailer which floated last summer and which reports for the first time in its new form on Thursday.

Although last year's January sales were strong, brokers think MFI could have beaten the numbers this year.

As for the interim figures, to November 7, brokers are somewhat in the dark without any comparable figures. Estimates are for a fall in operating profits from £24.2m to around £18m to £20m.

Misys, the acquisitive computing services group led by a former Hanson executive, Kevin Lomax, is due to report its interim results on Thursday. Pre-tax profits are expected to increase to around £6.3m from £3.59m a year earlier.

The group has made a spectacular comeback since its disastrous 1990-91 financial year when its shares bottomed at 63p. They now stand at 375p.

Unitech, the international electronics group, is still bearing the scars of the slowdown in the Japanese economy.

The company, which ranks as the world's largest manufacturer of power supplies for electronic equipment, is likely on Thursday to report a decline in first half pre-tax profits to £4.1m from £7.8m in the comparable period.

## UK COMPANIES

■ **TODAY**
COMPANY MEETINGS:
**Estates & Agency Hldgs.**, Institute of Directors, 116, Pall Mall, S.W., 10.30
**Mining & Allied Supplies**, Institute of Directors, 116, Pall Mall, S.W., 10.30
**Ptarmigan Hldgs.**, Institute of Directors, 116, Pall Mall, S.W., 10.30
BOARD MEETINGS:
Finals:
**Lookers**
**Princedale**
**St. Andrew Tst.**
**Templeton Emerging Markets**
Interims:
**GT Japan Inv. Tst.**
**Hong Kong Inv. Tst.**

■ **TOMORROW**
COMPANY MEETINGS:
**Archer (A.J.)**, Lloyds, 1, Lime Street, E.C., 10.30
**Draylon Recovery Tst.**, 11, Devonshire Square, E.C., 11.45
**Hasson**, Barbican Hall, Barbican Centre, E.C., 11.00
**Wessso**, Armourers Hall, 81, Coleman Street, E.C., 12.00
BOARD MEETINGS:
Finals:
**Domino Printing Sciences**
**Heritage**
**Shandwick**
Interims:
**Budgens**
**Cantors**
**Dale Electric**
**Lister**
**Murray Smaller Markets**
**Reject Shop**
**Wood (John D.)**

■ **WEDNESDAY JANUARY 27**
COMPANY MEETINGS:
**Lynx Hldgs.**, Grosvenor House Hotel, Sheffield, 11.00
**Tate & Lyle**, Barbican Hall, Barbican Centre, E.C., 11.30
BOARD MEETINGS:
Finals:
**Allied Textile**
**City & Commercial Inv.**
**Securiguard**
Interims:
**Davies (D.Y.)**
**Dyson (J.& J.)**
**Richmond Oil & Gas**
**Smith (W.H.)**

■ **THURSDAY JANUARY 28**
COMPANY MEETINGS:
**Chemring**, Alchem Works, Fratton Trading Estate, Portsmouth, 2.30
**Control Securities**, Chartered Insurance Institute, 20, Aldermanbury, E.C., 9.00
**Dundee & London Inv. Tst.**, Royal Exchange, Dundee, 12.00
**Ramus Hldgs.**, Palace Road, N., 11.00
BOARD MEETINGS:
Finals:
**Cardiff Property**
**Derby Trust**
**Partridge Fine Arts**
**Stakis**
**Warner Estate**
**Witan Inv.**
Interims:
**Farepak**
**Independent Inv.**
**Kleinwort High Inc. Tst.**
**Korea Asia Fund**
**MFI Furniture**
**Misys**
**Prism Leisure**
**Property Trust**
**Proteus Intl.**
**Unitech**

■ **FRIDAY JANUARY 29**
COMPANY MEETINGS:
**Cooper (Frederick)**, Park Hall Hotel, Park Drive, Goldthorn Park, Wolverhampton, 12.00
**Quality Care Homes**, 18, St. Cuthberts Way, Darlington, 11.00
**Tunstall Group**, Whitley Lodge, Whitley Bridge, Yorks., 2.00
BOARD MEETINGS
Final:
**Greenfriar Inv.**
Interims:
**Brandon Hire**
**Ensor**
**Etonbrook Properties**
**Goodhead**
**McKay Securities**
**Markheath**
**Raglan Property Tst.**
**Wholesale Fittings**
**Wiggins**

*Company meetings are annual general meetings unless otherwise stated.*

Please note: Reports and Accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

## DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
BAA 6.25p
Bankers Tst. New York $0.78
Brit. Airports Fin. Fltg. Rate Gtd. Nts 1996 Y216,757
Canon Fltg Rate Nts. 1996 Y10,640
CPC Int. $0.30
Debenhams 7¼ % Un Ln '02/07 £3.625
Do. 7½ % Un Ln '02/07 £3.875
FKI 1.2p
Forte 10¾ % Bd. 1998 £107.50
General Electric $0.63
Harris (Philip) 2.2p
Hazlewood Foods 2.3p
Hydro-Quebec Fltg Rate Nts July 2002 $244.09
Itochu Fltg. Rate Nts. 1997 Y105,493
Lewis (John) 10½ % Bd. 1998 £743.54
Do. 10½ % Bd. 2014 £1050.0
Morgan Guaranty Tst. New York 12¾ % Dep Nts 1994 £123.75
Parkland Textile 1p
Do. A N/Vtg. 1p
TGI 0.5p
Treasury 12% 1995 £6.00
Treasury 13¾ % '00/03 £6.875
UK 8¼ % Treas. Nts. Jan. 1995 Ecu82.50
Whitecroft 4.1% Cm Pf 2.05p
Wolverhampton & Dudley Brews 7.1p
Woolwich Bldg. Scty. Fltg. Rate Nts. 1995 £160.0

■ **TOMORROW**
Bristol & West Bldg. Scty. Fltg. Rate Nts 1996 £207.95
Do. Fltg. Rate Nts. 1996 (1992 Iss.) £204.16
Co-operative Bank Sb. Fltg. Rate Nts. 2000 £102.40
Molex $0.0075
Do. Class A $0.0075
Sears 12½ % Bd. 1996 £125.0
Treasury 2½ % IL 2016 £2.1333
Treasury 7¾ % Ln '12/15 £3.875
York Waterworks 3.05p
Do. A 3.05p

■ **WEDNESDAY JANUARY 27**
Asprey 1.1p
Bank of Montreal Fltg. Rate Db. Ser.10 1998 $191.03
Bank of Nova Scotia C$0.26
Cosalt 6.5p
Fine Art Devs. 3p
Gold Fields of SA Cv Rd Pf R1.45
Mitsubishi Fin. 7½ % Sb. Nts. 2002 $375,000
Osborne & Little 2p

■ **THURSDAY JANUARY 28**
Commonwealth Bank of Australia 13½ % Ln. 2010 £6.75
Bradford & Bingley Bldg. Scty. Fltg. Rate Nts. Jan. 1995 £198.49
Can. Imperial Bank of Commerce C$0.33
Canadian Pacific C$0.08
Do. 4% Gross N/Cm. Pf. (C$) C$0.02
Do. (C) 0.666667p
Do. (Interchng/Transferable) 0.666667p
Courtaulds 3.8p
Drayton Recovery Tst. 3.85p
Dundee & London Inv Tst 8.2p
Honda Motor 5.9% Bd. 1997 Y439,222
Do. 6% Bd. 1999 Y446,667
*Tesco 10⅜ % Bd. 2002 £103.75*
Treasury 8½ % Ln. 2000 £4.25
Treasury 9% Ln 1992/96 £4.50

■ **FRIDAY JANUARY 29**
Abbey Natl. Sterling Cap. 10⅛ % Sb. Gtd. Bd. 2002 £913.58
ABI Leisure 2.19p
Abtrust Pf Inc Inv 2.90625p
Acorn Inv. Trust 1.5p
Airsprung Furniture 3.15p
Allen 1.65p
Allied Irish Banks Sb. Prim. Cap. Perp. $104.27
Auto Funding Class A Fltg. Rate Nts. 1996 £206.31
Bank of Nova Scotia Fltg. Rate Db. 2000 £184.15
Blenheim 6.3p
BOC 7% Gtd. Bd. 1997 $350.0
Borthwicks 0.5p
Bridport-Gundry 2.6p
Bristol & West Bldg. Scty. Fltg. Rate Nts. 1993 £221.86
Can. Imperial Bank of Commerce Fltg. Rate Db. 2084 $195.96
Carr's Milling 2.9p
Chase Manhattan O'seas Banking Fltg. Rate Nts. 1993 $20.54
Cheam A 4p
Do. B 4p
Chemical Banking Fltg. Rate Senior Nts. 1999 $42.29
Chemring 21.72p
Citicorp Banking Gtd. Fltg. Rate Sb. Cap. Nts. Oct. 1998 $132.71
Do. Gtd Fltg. rate Sb. Cap. Nts. Jan. 1997 $132.71
Cranswick 2.4p
Daiwa Int. Fin. (Cayman) Sb. Fltg. Rate Nts. 2001 $978.35
Dartmoor Inv. Tst. 2.5p
Dow Chemical $0.65
Estates & Agency 0.5p
Fenner 2.5p
Gartmore Euro. Inv. Tst. 1.1p
Gen. Motors Acceptance Corp. of Can. Fltg. Rate Nts. Nov. 1998 C$504.11
Govett American Endeavour Fd. $0.0562
Graig Shipping 1p
Guaranteed Export Fin. Gtd. Fltg. Rate Nts. 1995 £506.81
Halifax Bldg. Scty. Fltg. Rate Ln. Nts. 1996 £28.13
Ivory & Sime 1.75p
Leigh Interests 2.46p
*Macallan-Glenlivet 3.5p*
Melville Street Invs. 1.5p
MEPC 14.75p
Mexico Fd. $2.55
Mezzanine Cap. & Inc. Tst. 2001 1.5p
Moorgate Smaller Co's Inv. Tst. 1.8p
Morland 5.98p
Murray Inc. Tst. 2.25p
Natl. Australia Bank Fltg. Rate Nts. 1997 $195.90
Nationwide Bldg. Scty. Fltg. Rate Nts. 1998 (Ser.2) £28.13
Next 5¾ % Cv. Bd. 2002 £36.36
NHL (1) Sec. Dfd. Int. Mtg. Bckd Fltg Rate Nts. 2028 £393.65
NMC 0.5p
Northern Investors 2p
PHH Corp. $0.30
Ralston Inv. Tst. 1.1p
River Plate & Gen Inv 5.8p
Royal Bank of Can. Fltg. Rate Db. 2005 $25.70
Secured Loan Fin. No.1 Class A Mtbg. Bckd. Fltg. Rate Nts. 2018 £164.93
Do. Mezzanine Mtg. Bckd. Fltg. Rate Nts. 2018 £227.50
Shires Inv. 4.2p
Throgmorton Tst. 7¼ % Cm. 1st. Pf. 2.5375p
TMC P.I.M.B.S. Fouth Fin. Iss.5 2029 £148.64
Tor Inv. Tst. 10p
Transamerica $0.50
USF & G $0.05
Whessoe 5.8p
Wolseley 8.45p
Do. 10% Db. 1990/95 £5.0

■ **SATURDAY JANUARY 30**
Henderson Highland Tst. 1.4p
Nationwide Bldg. Scty. 3¾ % I.L. Ln. 2021 £2.8137
Tiphook 4.8p

■ **SUNDAY JANUARY 31**
Aegis 55% Cv. Rd. Pf. 2.75p
Airflow Streamlines 10% Cm. Pf 5p
Beattie (J) 6% Cm Pf 2.1p
Bentalls 5½ % Cm. Pf. 1.925p
Britannia Bldg. Scty. 13% Perm. Int. Bearing Shs. £65.18
Brit. Dredging 8% Un Ln 1993/98 £4.0
Brit. Petroleum 8% Cm 1st Pf 2.8p
Do. 9% Cm. 2nd Pf. 3.15p
Chemical Banking $0.30
Dixons Cv. Rd. Pf. 2.5p
English & Scottish Investors 11% Db 2014 0.5p
*First Nat. Fin. Corp. 6.3% Cv. Rd. Pf 3.15p*
Guildhall Prop. 8⅞ % 1st. Mtg. Db. 1990/95 £3.4375
Hanson 9½ % Cv Sb Bd '06 £47.50
Haslemere Ests 10½ % 1st. Mtg. Db 2016 £5.25
Hse of Fraser 6% Un Ln '93/98 £3.0
Do. 8¼ % Un Ln 1993/98 £4.125
Iceland (Rep.of) 14½ % Ln. 2016 £7.25
Land Sec. 10% 1st. Mtg. Db. 2030 £5.0
Leeds & Holbeck Bldg. Scty. 13⅞ % Perm. Int. Bearing Shs. £67.06
Lewis (J) Props. 9¼ % Mtg Db 1992/97 £4.625
Liberty 6% Cm. Pf. 2.1p
Do. 9.5% Cm. Pf. 4.75p
Lowe's $0.08
Lynton 10.25% 1st. Mtg. Db. 2017 £5.125
Malaysia 10¾ % Ln '09 £5.375
Marley 6½ % Cm. Pf 2.275p
McKechnie 6% Cm. Pf. 2.1p
Murray Ventures 11.1% Db 1991/96 £5.55
Pressac 10.5% Cm Pf 5.25p
Prestwick 7¼ % Cv Rd Pf 3.625p
Rank Org. Cv Cm Rd Pf 4.125p
SCE Corp. $0.70
Seton Healthcare 1.7p
Skipton Bldg. Scty. 12⅞ % Perm. Int. Bearing Shs. £64.55
*Smith & Nephew 5½ % Cm Pf 1.925p*
Smith New Court Cv Rd Pf 3.25p
Smiths Inds. 11¼ % Db 1995/2000 £5.625
S & U 31.5% Pf 1.96875p
Tesco 4% Un. Deep Discount Ln. 2006 £2.0
Toronto-Dominion Bank C$0.19
Transport Dev 12½ % Un Ln 2008 £6.25
TR High Inc. Tst. 1.4p
Waco 8% Cv. Pf. 4p
Whitbread 11⅝ % Db 2011 £5.8125

# MANAGEMENT

**Christopher Lorenz** explains how Flymo forced a common pricing policy throughout the single market

# Switching gears on a rocky road

**Rethinking Europe**

LIKE the gardeners who use its innovative lawnmowers, trimmers and other machines for preening their gardens, Flymo has always prided itself on being able to follow a fairly straight line. Yet in the past few years it must have performed more gyrations than almost any other company which geared up well ahead of this month's dismantling of European trade barriers. In response to sharp changes in the marketplace, it has had to rethink strategy and tactics several times.

The rethinking done by this successful British company, which employs 450 staff, has been considerable. Since the Financial Times last wrote about its continental European strategy four years ago, it has changed tack on several counts, most recently just two months ago.

● Having abandoned hope in the late 1980s that the "hover" mowers which made its name on its home market would ever sell in mass-market volume on the Continent, it has now revised its view again: thanks to improved product design, hover sales are starting to accelerate in several continental countries, notably France, Denmark and Norway.

● On the other hand, the "wheeled rotary" mower which Flymo launched in 1989 especially to suit continental markets "has not done well there – we've found it much tougher than we expected", admits Les Evans, the managing director.

**Flymo's continental export drive has been transformed from a toe-dipping exercise in 1988 into a rapid forward march**

Only a quarter of its sales have been made on the Continent. But with the addition of a roller it has sold unexpectedly well in the UK, carving out a new segment.

● Thanks to the hover boost, Flymo's continental export drive has been transformed from a tentative toe-dipping exercise in 1988 into a rapid forward march. In spite of a slide in prices, the value of its total exports – most of which go to the Continent – has nearly doubled to £15m, and is pitched to quadruple over the next four years. At the same time total sales have risen by "only" a half, to £73m.

● It had inadequate influence over how its products were distributed and sold by the various continental sales companies of its parent group, Electrolux. But it has now persuaded most of them to slash overheads and sales prices by cutting out the wholesaling link in their distribution chains. They now sell direct to retailers.

● It is on the verge of annexing staff from those sales companies and integrating them into its own organisation, run from Newton Aycliffe in north-east England. This single European organisation will have key managers dispersed across several countries.

That some of these steps have been made necessary, and others possible, is thanks to three factors.

First, the speed with which, against all expectations, a European "single market" in lawn and garden machinery is being created by several combined forces: the rise of powerful retail chains, some of which are selling across national borders; a flood of cut-price, low-specification, standard imports from Italy and the US; and the impact of the recession on consumers' readiness to buy these machines. Little is now made of the climatic variations and different consumer habits which just four years ago were expected to keep the European market fragmented indefinitely.

This retail-driven convergence of consumer buying patterns has enabled Flymo to cut production and inventory overheads by slashing the number of variants of each product. Instead of seven, it now has just two: for the UK (with a 240 watt voltage, and different plug), and for the rest of Europe.

The second enabling factor behind Flymo's rethink is the financial strength which has brought it through four of the worst years for European garden machinery that anyone can remember, because of the way drought combined with recession. That strength flows from the company's low break-even point and its commitment to product innovation even through hard times; the latter pays off in the form of a stream of successful product launches, and in healthy cash flow.

Les Evans (left) and Phil McGrath: moved straight to a pan-European structure

The third factor – partly the result of the previous one – is the backing that Evans has had from his Swedish parent in his sometimes fraught discussions with Electrolux sales companies across Europe. It has helped him considerably that, 18 months ago, he was promoted to the position of a European "product line manager" within Electrolux, reporting direct to its president in Stockholm.

Previously, he had a product line manager above him. As part of the move, Evans was given responsibility for the consolidated profitability of all Flymo's sales, including those through staff in continental countries who in other respects reported to local Electrolux managers.

For companies in other industries faced with intense price competition and over-costly distribution arrangements in European markets, Flymo's experience over the past four years is especially instructive, in spite of its unusual position within a large multinational.

In 1988, it was faced with trying to sell through a set of sister companies which were unused to having direct relations with retail chains. Instead, they used wholesalers to distribute to specialist dealers.

In most national markets, the structure of the distribution chain for imported machines was also so complicated, and the mark-ups for each link [sales company, wholesaler and retailer] so generous, that selling prices had to be pitched up to twice as high as those in Britain. They were far higher than for local manufacturers.

In extreme cases, Electrolux sales companies were trying to make a margin of 40 per cent, wholesalers 20 per cent and retailers 40 per cent. The resulting consumer price in Scandinavia was more than four times the factory cost, against less than 2½ times in Britain.

"This created a vicious circle," says Phil McGrath, Flymo's sales director. "It drove sales down to the extent that we were literally going backwards. With the French and German markets shifting quickly from feature-driven brands to own-label low-specification imports through hypermarkets and other retail chains, it was very serious."

But this situation also gave Flymo a perfect opportunity to confront the sales companies. It began to attack the problem by showing them a spreadsheet with the UK manufactured costs and all the mark-ups, plus the consolidated result which Flymo wanted to achieve. It explained that this could be done only if the sales companies cut out the wholesale link, and added mass distribution to their network of specialist dealers.

A further weapon which it was able to wield over the sales companies was the growth of cross-border retailing, which has been rapid over the past couple of years on the Continent. Evans and McGrath told the Danish, Norwegian and Swedish sales companies that they would have to sell at a common price, as would those in Benelux, Germany, Austria and Switzerland. "We said 'if you don't co-operate, the retailer will buy from your sister company across the border'," says Evans. With product specifications no longer varying between countries, "that was a hell of an incentive".

In the short term, from 1990, Flymo used its financial muscle to subsidise local losses while the sales companies cut prices and broke into the mass market. Some of the national Electrolux sales companies were also ready to help foot the bill for a time. "We had to support some markets more than others, but we saw it as a brand investment," says Evans.

In the medium-term, the obvious answer was to cut overheads to the bone by redesigning the entire structure of Flymo's sales, internal administration, warehousing and distribution so as to remove duplication of activities between head office and the sales companies.

There will be a single warehouse – probably at UK headquarters – provided delivery across Europe in three days can be guaranteed.

A project team began work on the details last November, just after Evans and McGrath – in another rethink – had decided to move straight to a pan-European structure, rather than via an interim one with four regions. From this autumn in France, local sales staff will be transferred to Flymo, plugging directly into its UK computer network and all its other systems. Shipping, but not invoicing, is already being done direct from Newton Aycliffe. In late 1994, the same structure will be extended to other continental markets.

From then on, Flymo will really be operating as a single market company.

# When fatal illness is a public affair

**Martin Dickson** on the executive's duty when serious sickness strikes

What should the chief executive of a large quoted company do if he discovers that he has a serious, potentially fatal illness? How much of the problem should he make public, and when?

This was the awful question which confronted Michael Walsh, chairman of US conglomerate Tenneco, on Tuesday last week when doctors told him he had a brain tumour.

Walsh's response conformed with the face-the-facts regime he has imposed on the formerly flabby Tenneco since he took over as chief executive a year ago – complete and immediate disclosure.

He held telephone conference calls with securities analysts and the press early the following morning, in which he explained the nature of the problem, the treatment intended, and the median survival rate for patients in his condition (five to six years).

He declared that he had virtually no symptoms, apart from a slight limp, and that the tumour would have no effect on his ability to carry out his job. A letter from his doctor supported this judgment.

Why then, did he announce the news so quickly? Walsh said that if he had failed to act, rumour and speculation would have developed over his health, and this could have been damaging to investors in the company.

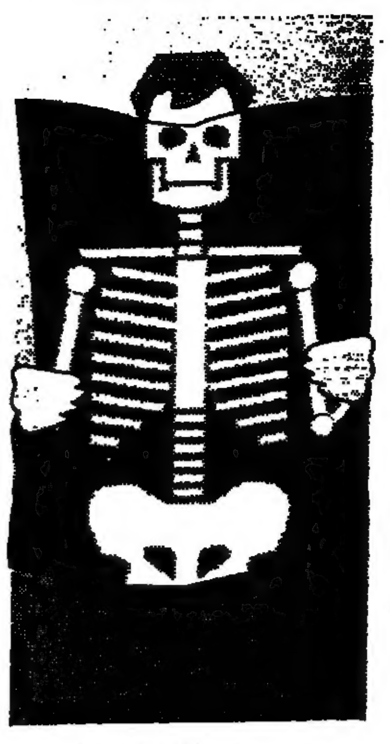
"Little deceptions become big deceptions," he added. "Pretty soon all your energies are going into managing the problem, not the business."

Numerous US lawyers and management consultants suggest that Walsh acted in an exemplary fashion – that full, frank and immediate disclosure of serious medical problems is in the best interests of a publicly quoted company and its shareholders.

Indeed, US securities law obliges publicly quoted companies to disclosure facts when these are "material" to its business.

But as Keith Kearney, of New York lawyers Davis, Polk & Wardwell points out, this gives companies a fair degree of latitude in what they report on matters medical.

Privately-owned US companies are under no legal obligation to report health problems.



Coincidentally, this was underscored last week when TLC Beatrice, a foods group, only disclosed that its chairman, Reginald Lewis, had brain cancer the day before he died.

Publicly tracking the course of a disease can be much more of a grey area than initial disclosure of the problem, pitting respect for an individual's privacy and suffering against shareholders' right to know.

Time Warner faced this when Steven Ross, chairman and creator of the giant media group, was found to have prostate cancer. The company revealed the problem in November 1991 but insisted for months that Ross remained in control of the business, while working from home. It announced last June that he had taken temporary leave of absence for further treatment. Ross died in December.

Walsh has waived all confidentiality about his medical condition with Tenneco's board, which will be kept fully informed by his doctors and will then have to decide what, if anything, to make public. Admirers of Walsh are hoping that no news will be good news.

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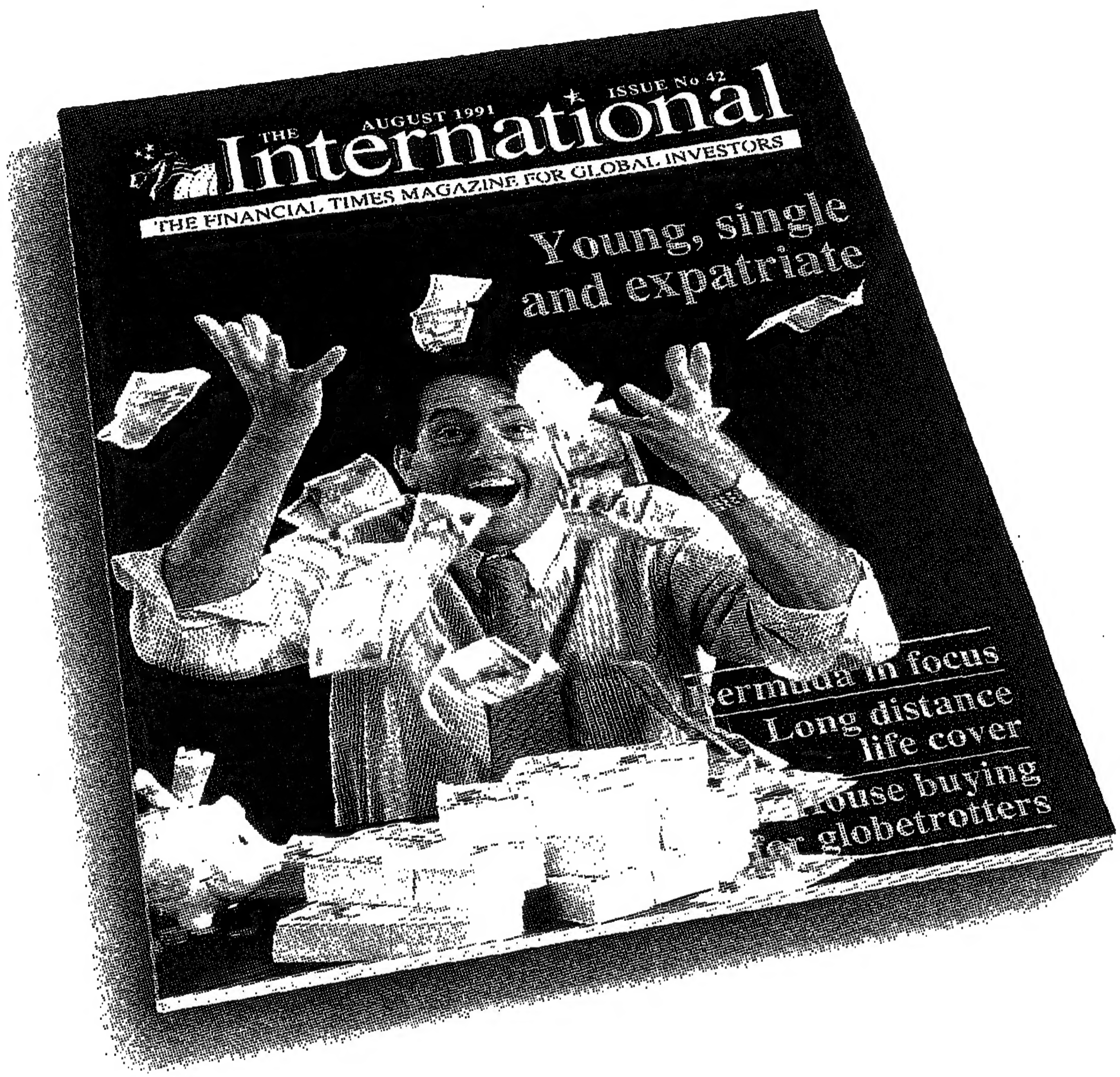


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- □ 2 Employed
- □ 3 Consultant
- □ 4 Retired
- □ 5 Student/Unemployed

***Nature of Business***
- □ 1 Financial Services
- □ 2 Construction
- □ 3 Other Services
- □ 4 Transport/Travel/Communications
- □ 5 Distribution/Hotels/Catering
- □ 6 Extraction (Oil, minerals, etc)
- □ 7 Manufacturing/Engineering
- □ 99 Other (Please State________)

**Age**
- □ 1 Under 25
- □ 2 25-34
- □ 3 35-44
- □ 4 45-54
- □ 5 55-64
- □ 6 65+

**Types of investment currently held**
- □ 1 Domestic Equities
- □ 2 International Equities
- □ 3 Offshore Deposits
- □ 4 Property
- □ 5 Bonds
- □ 6 Precious Metals/Gems
- □ 7 Unit Trusts/Mutual Funds
- □ 8 Other International Investments
- □ 99 None

**Which of the following do you have?**
- □ 1 Credit Card (e.g. Visa)
- □ 2 Gold Card
- □ 3 Charge Card (e.g. Amex)
- □ 99 None

# CONSTRUCTION CONTRACTS

## Wiltshier companies active

**WILTSHIER CONSTRUCTION GROUP** has been awarded contracts worth over £30m. All Wiltshier regions are represented in a list which ranges from a £1.5m police station to be built for Eurotunnel at Folkestone in Kent to housing projects valued at a total of £2.5m in the Glasgow area.

Education is represented in the form of a £1.5m infants school at Herne in Kent, a £2.1m lecture theatre block for the Metropolitan University of Leeds, and a £2.6m major education facility in Leeds.

The group's recently established Midlands operation at Dudley is reflected in the award of a £2.8m contract for a 95-bed hotel in Cardiff for Friendly Hotel.

## Dam development

Water engineering contractor **BIWATER** has won two overseas contracts together worth £27m. The larger contract, worth £20m, is from the Nigerian Federal Miniistry of Agriculture for the completion of the Kagara dam and water treatment plant in Niger State. The earth filled dam will provide irrigation in Kagara town and the surrounding area.

The second major contract is in Cyprus and has been awarded by the Larnaca Sewerage and Drainage Board. The £7m turnkey project is to provide wastewater treatment facilities and effluent storage reservoirs.

## Mixed batch

**ALFRED McALPINE BUILDING** has won contracts totalling £30m. They include the redevelopment of Huddersfield Football Stadium (£10m), the redevelopment of a Marks & Spencer store at Middlesborough (£4m), the construction of a teaching facility at Wolverhampton University (£4m) and a social housing refurbishment in Plymouth (£5m).

## Scottish hospital

**ROBERTSON CONTRACTING** has been awarded a £13m contract for the construction and redevelopment of Grays Hospital in Elgin.

## Leeds regeneration project

Sovereign Quay is the building on the left of the picture in this still from the film "Leeds Bridge"

A £3m contract for a 60,000 sq ft office development beside the historic Leeds Bridge on the river Aire has been awarded to **CLUGSTON CONSTRUCTION** by Sovereign Quay, a joint venture by Ploughland Estates and Yorkshire Rider.

The Sovereign Quay development comprises two adjacent buildings, Windsor House and King House. Windsor House, which fronts on to the river and Bridge End, will provide 20,000 sq ft of offices on five floors with basement parking for 18 cars.

Original features will be retained such as the riverside boardwalk and the facade of the Victorian building, which appears on what is believed to be the world's first ever moving film, made by Louis Le Prince in 1890 on Leeds Bridge.

King House, the adjacent building which fronts on to Sovereign Street, will be vacated by Yorkshire Rider and the interior completely refurbished to provide 40,000 sq ft of office space.

## Avionics facility at Llantrisant

**LAING SOUTH WEST** has been awarded a contract by British Airways to build a high-technology centre for the specialist repair and servicing of aircraft electronic components at Llantrisant, mid Glamorgan.

The £30m development is being undertaken by British Airways in association with the Welsh Development Agency. The avionics facility will comprise three two-storey buildings, car parking, access roads and service yards plus minor buildings.

Providing a total gross floor area of about 12,780 sq metres, the main buildings will house 12 production units for repairing and servicing avionics equipment plus two support units to service the testing equipment.

A highly serviced environment is required to support the extensive computer and sensitive equipment needed in each unit. An important feature is the automated storage and distribution system. Completion of the whole project is scheduled for April 1994.

## Maintaining military installations

The **BALFOUR BEATTY PROJECTS & ENGINEERING** company has been awarded a £33m contract by the Ministry of Defence for works services management for the entire MoD estate and installations in Gibraltar.

The Royal Navy, Army and Royal Air Force installations form an important operational and logistic base in support of Nato's southern flank.

The contract is a major achievement as Balfour Beatty Projects & Engineering is believed to be the first works services manager appointed for an overseas Ministry of Defence base. Gibraltar has been a British base since 1704.

As works services manager, Balfour Beatty Projects & Engineering will be responsible for managing the annual maintenance and minor new works budget of about £10m per annum.

The works services manager contract is initially for three years and Balfour Beatty Projects & Engineering will be responsible for the facilities in Gibraltar from June 1993 after a three month hand-over period.

# PEOPLE

## Foseke: turning over a new Liffe

No-one else has made a success of it yet, but Karin Foseke is prepared to give it a go. The new director of equity products at Liffe, London's derivatives exchange, next week sets about the arduous task of selling equity and index options to British institutions and the investing public.

LTOM, the traded options market under the umbrella of the stock exchange, was a failure. Merged into Liffe and under a new roof for the past year, equity index options have faired slightly better, but the volume on individual stock options has actually dropped. Why does Foseke think she can do better?

The Swedish-born American citizen, who says she acts American or Swedish depending on what mood she is in, acknowledges that is "a good question" but believes her background should enable her to tackle the problem afresh.

She spent 18 years in the US,

including at the Beverley Hills office of Prudential-Bache Securities advising on equity options strategies. She then moved to London, where she and her husband Peter Jorgensen were hired as a team to develop the London end of Swedish exchange OM – she as business development director, he as managing director.

While OM London more or less owed its existence at the start to Swedish turnover tax (abolished at the end of 1991) driving business offshore, many members of the London exchange community were impressed with Foseke's drive. Since leaving OM early last year, she has been at WestPac London as head of distribution within the financial markets group, but says she missed the buzz of an innovative, successful market.

At Liffe, Foseke, whose boss is business development managing director Roger Barton, will have to tread carefully with those members of LTOM who had wanted a managing director representing their interests and reporting directly to the chief executive. There is also unhappiness at how long the appointment took to make.

Meanwhile, the advice from one LTOM old hand, who readily admits past mistakes and welcomes a fresh face, is simple: "I hope she doesn't listen to us."

■ **Stephen Unwin**, formerly head of banking at Kleinwort Benson and who before that ran Kleinwort's banking operations in the US, has joined Butte Mining as a non-executive director.

Butte has never made a profit since it was floated on the London stock exchange six years ago; it startled the mining industry last May by launching a legal action in the US against 70 defendants, including former directors and advisers, claiming damages of at least $325m.

Unwin, 52 and now a consultant, says he would not have joined the Butte board "if I did not believe in the merit of the litigation. It will take a year or two, but I said I would help out at this difficult time for the company."

He stresses that he was not acting as a consultant to Butte and says that so far he has not discussed whether he would be paid anything as a director.

David Lloyd-Jacob, Butte's chairman, says he has known Unwin for about ten years since they both worked in New York and recently had increasingly been seeking his advice. He says: "Butte needs to ensure we have the financial resources to fight the US case to the end. With his financial background, Unwin is an ideal addition to the board."

## Added to health quango

KPMG partner Sheila Masters (right), whose three year stint as finance director of the National Health Service put the wind up many health service managers, has been appointed to the NHS Policy Board.

The government has used the recent departure from the board of Sir James Ackers, following his resignation as chairman of the troubled West Midlands Regional Health Authority, to strengthen the non-executive element of the 16-strong quango.

Masters, 43, is one of two accountants appointed to the board which advises Health Secretary Virginia Bottomley on NHS policy. The other new member is Tim Chessells, 51, a former partner of Arthur Young, who is chairman of the London Implementation Group, set up to investigate the options arising out of Sir Bernard Tomlinson's report on London's health services.

Set up four years ago in a bid to make the NHS more business-like, the policy board's aim is to help set strategy and objectives and monitor the performance of the service through the NHS management executive.

In its early days, its non-executive members were mainly industrialists such as Sir Graham Day and Sir Ken Durham. However, they have since departed and been replaced by new faces such as Peter Gummer, chairman of the Shandwick public relations group, and Kate Jenkins, a for-

mer personnel director of the Royal Mail. The other non-executives are Sir Roy Griffiths, a former deputy chairman of J Sainsbury, Sir Robert Scholey, the former British Steel chairman, and Professor Cyril Chantler, the clinical dean of Guy's and St Thomas's medical schools, and one of the first doctors to embrace the government's controversial health service reforms.

## Moves in finance

■ **Christopher Honeyborne**, 52, who started his career as a research demonstrator in crop protection at Reading University, has turned up as chief executive of SEYMOUR PIERCE BUTTERFIELD, the stockbroking subsidiary of the Bermuda-based Bank of Butterfield Group. In between, and while working for Banque Paribas, he was involved in buying Quilter Goodison, of which he became chief executive; although Paribas later sold Quilter, he kept his French connection by becoming a non-executive director at Cartier in the UK. He also retains chairmanships at Group Finotel and Cameron Richard Smith (Holdings).

■ **Alan Thomas**, formerly US investment manager at Fidelity International, has been appointed adviser, member assessment at IMRO.

■ **John Paterson** has been promoted to md of ALBERT E SHARP's institutional and research department.

■ **Mark Leather** has been appointed a director of RATHBONE BROS & Co.

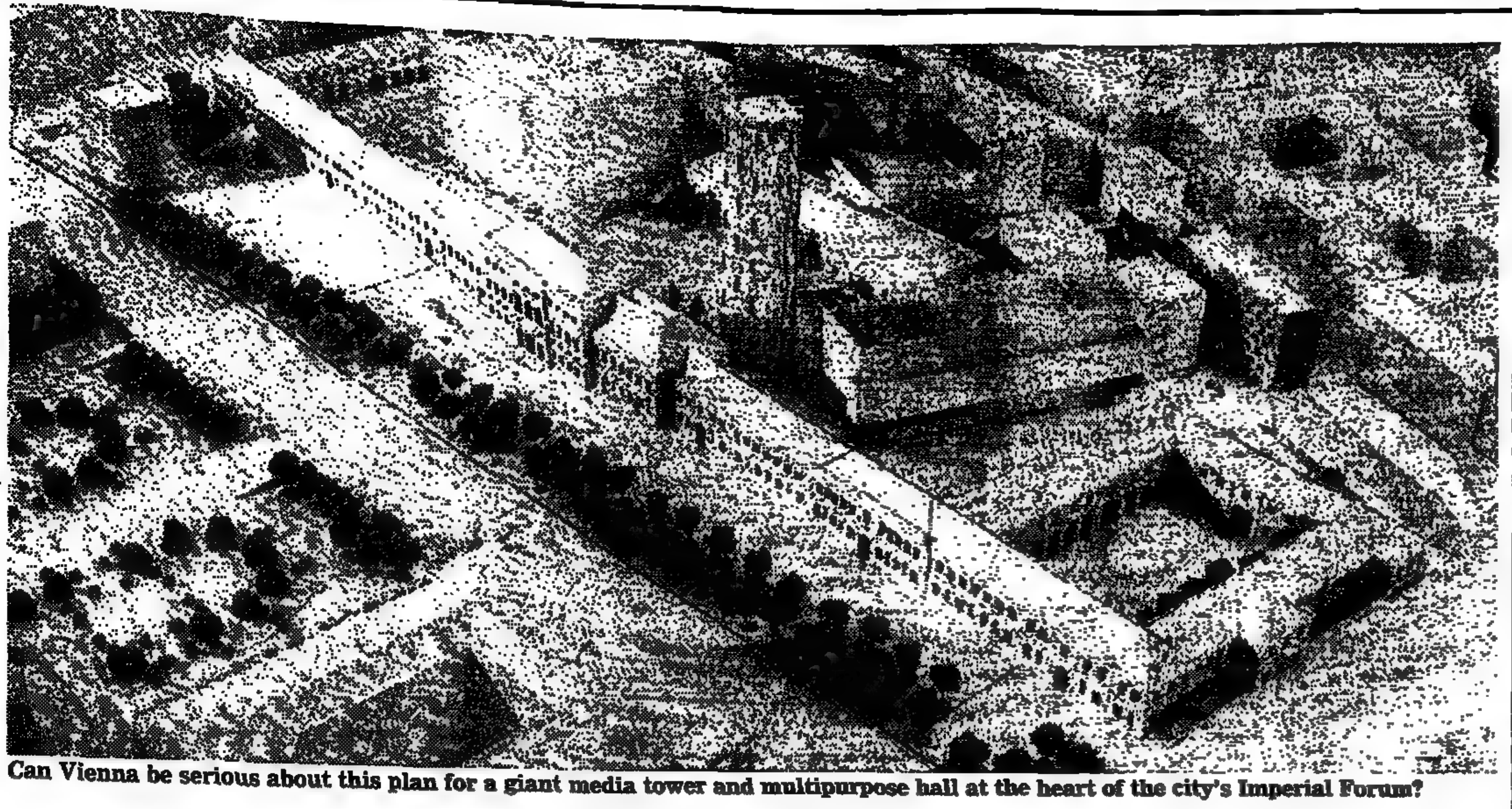
■ **Andrew Haskins** has been appointed a director of FOSTER & BRAITHWAITE.

■ **Richard Rushton**, formerly director of customer service, has been appointed head of mortgage operations for NATWEST Home Loans; the md, **Gil Gillis**, has retired.

■ **Robert Kidson** has been appointed a director in the corporate finance department of SMITH & WILLIAMSON.

■ **Mark Brady, Jonathan Brown, Nicholas Swales** and **Dick Goodfellow** have been appointed directors of WISE SPEKE.

■ **Jeffrey Nick** has been appointed md of CANNON LINCOLN; he replaces **David Martin** who is returning to the US.



Can Vienna be serious about this plan for a giant media tower and multipurpose hall at the heart of the city's Imperial Forum?

Architecture/**Colin Amery**

# It's the way that you spend it

Architectural debate is particularly lively at the moment, with two events in the last week making useful contributions to the changing climate.

The first was the Royal Society of Arts' symposium on one of the most important subjects for architects, developers and clients: "Better Buildings Mean Better Business". It was chaired by Lord Sainsbury of Preston Candover and addressed by Mr Michael Howard, the Secretary of State for the Environment. The symposium raised a fundamental question: "What is better business and how can it be helped by better building?"

The principle speakers, the Secretary of State and Mr Vincent Wang of Stanhope Properties, followed a similar line to the chairman in discussing the main issues affecting quality.

Six factors were discussed as parameters for judging what makes a building "better".

- The right timing of development (just as essential as the right location)
- A good relationship between the client and the professionals
- Design quality
- Efficiency of planning and operation
- Relationships with the neighbours
- A successful balance of quality and price.

Mr Howard continued to argue for Compulsory Competitive Tendering for public authority architectural services. The Secretary of State's view is that: "There is a trade-off to be made between price and quality, and those responsible for spending public money must ensure they strike the right balance."

It is interesting to observe a minister – who clearly appreciates quality and has directed government departments to try to raise building standards – struggling with an unnecessary dogma which can put those very standards in jeopardy. I wonder how lawyers would enjoy the compulsory application of the competitive fee bidding system applied to their services?

Mr Richard MacCormac, president of the Royal Institute of British Architects, insisted that the issue of fees cannot be divorced from the issue of quality. When you pay an architect, you are paying for time and quality of work. The lowest tender approach to architecture would be like asking Shakespeare to write his plays as quickly as possible. "Selecting architects by fee competition, on the same basis as street cleaners, simply invites architects to give the minimum time to the design process to minimise fees."

The views of Mr Wang, an innovative developer with a track record of success at Broadgate and Stockley Park, were based on wide understanding and experience. He pointed out that high quality can save money in the long-term. "Productivity, absenteeism and sickness are all affected by a building's design. And a well-designed building will cost significantly less to run, in adaptation, maintenance and energy costs."

But he also pointed out that the perceived quality of a building's finishes is only a small part of the total cost, perhaps 10 per cent. "Architectural quality is not just to do with the quality or cost of the finishes. It is not a question of cost at all. It is purely a question of skill, commitment and loving care. Spending more money certainly does not assure a better result."

The other event that sparks debate is a small exhibition at the RIBA called *Before and After Planning*. It runs until February 6 at 66 Portland Place, London W1, organised by Hawkins Brown and GMA Planning. It shows the designs of architects "before and after" the actions of planning committees.

Rather an introspective exhibition, it is not designed to make the problem very clear to the public. I did not consider the planners to have been wrong in all cases although some of their interventions were undoubtedly destructive and ignorant. The whole area is a subjective one: it is difficult to argue for non-intervention from elected planning bodies when a nominated and largely self-selecting group – the Royal Fine Art Commission – plays the role of an arbiter at the national level.

*

Also at the RIBA is a fascinating, well-designed exhibition about new museums in Austria organised by August Sarnitz and presented by the Austrian government. It raises a great many questions about the links between new and old buildings and the mixture of modern and Baroque cultures.

Anyone who has recently been in Vienna will realise that Austria has a more relaxed approach to the location of new buildings in old settings than many other European countries. There are some good examples here of the intervention of modern artists and architects in the expansion plans of Austrian museums and there is clearly a well-funded and intelligent government approach to the question of museums. (Peter Brooke, please note). I would recommend this exhibition to museum directors as well as the public – especially to Mr Nicholas Serota of the Tate Gallery as he plans the growth of the Tate.

One scheme worries me, and that is the proposed new museum quarter at the heart of the Imperial Forum of Vienna, opposite the marvellous stables by Fischer van Erlach built in 1720. To turn the former imperial stables into a museum quarter is a difficult task demanding immense sensitivity. I find the proposals for a giant media tower and multipurpose hall and museum of modern art strange and arbitrary – and curiously reminiscent of the 1960s. Can Vienna be serious about this plan?

I will return to this subject when I have had the opportunity to look closely at the site. As shown at the RIBA I can scarcely believe that this scheme is, as it is claimed to be, "a direct modern counterpart of an ancient Greek acropolis".

# Opera legends a cappella

## **William Weaver** on a reliable guide to Italian singers

John Rosselli's 1984 study of the economics of Italian opera, *The Opera Industry in Italy from Cimarosa to Verdi*, examined the history of Italy's lyric theatre not from the usual point of view of the composer but from the impresario's often muddled and makeshift office. Drawing on the long-neglected Lanari papers in the Biblioteca Nazionale in Florence, Rosselli drew a picture of an exotic world that, while generating a multitude of enduring masterpieces (and an even greater multitude of flashes-in-the-pan), struggled against endless material problems, not to mention social and political obstacles.

To that book, Rosselli's new volume, *Singers of Italian Opera*, is the perfect complement. While few impresarios found biographers and even fewer were literate enough to write their memoirs, singers' careers have hardly gone unrecorded. But in a competition for the highest degree of unreliability, the biographies, autobiographies and hagiographies of Italian opera singers would surely take first prize.

Scraping away the encrustations of legend, the inventions of hack journalists, the exaggerations of the singers themselves, Rosselli has arrived, insofar as possible, at the naked truth. Admittedly, by omitting false or suspect information, the book can here and there seem disappointingly bland. Singers' honoraria make less than enthralling reading; but this is the first time that an opera historian has seriously tried to make sense of contracts involving (to mention only a few currencies of the period) Neapolitan ducats, Austrian thalers, Piedmontese lire, gold Napoleons, and finally US dollars. Establishing comparative buying power is even more daunting (and to complicate matters, singers were sometimes paid not in cash but in kind: lodging, firewood, travel expenses).

SINGERS OF ITALIAN OPERA
**by John Rosselli**
*Cambridge £29.95, 272 pages*

For many years singers were a part of royal retinues, subject to rulers' caprice; their careers were often brief, even more often inglorious. Despite his stern scholarly intentions, Rosselli allows room for a few illustrative anecdotes which hardly inspire nostalgia or, still less, envy. The chapter on castrati makes severe demands on the faint-hearted reader, but never has this delicate subject been expounded with greater clarity and sense.

The modern opera fan frequently thinks of singers as superstars, ignorant, greedy, causing hard-up opera houses endless headaches and driving ticket prices through the roof. But, as the reader of this study soon realises, singers themselves have traditionally been exploited: by their families, their teachers, their managers, their employers; and for every millionaire tenor there are dozens of tragic failures. Verdi did not build his Casa di Riposo without reason. Even the great artists of the golden turn-of-the-century had to pay the price of gruelling tours and often rough transatlantic crossings, compared to which jet lag is a trivial irritation.

Rosselli's generous notes constitute an invaluable bibliography, which his final "Note on further reading" admirably completes. This dispassionate, but not detached study of the singer of Italian opera, from the Renaissance to the almost-present, can be read as a corrective antidote to the flood of "official", usually gossipy and inaccurate lives, which not even this dam of fact will be able to staunch.

Opera/Monte Carlo

# Hampson sings Hamlet

Ambroise Thomas's *Hamlet* (1874), one of the finest products of the 19th-century operatic second rank, has a star role for a lyric baritone of romantic presence, vocal magnetism and complete command of the French singing style. In our day it has served as a notable vehicle for Sherrill Milnes (who also recorded it) and Thomas Allen; the latest important protagonist is Thomas Hampson, the tall, handsome, greatly gifted American baritone mainly known up to now for his Mozart and Rossini roles (it is as the latter's Figaro that next month he makes a belated Covent Garden debut).

His first approach to this operatic Shakespeare adaptation was wisely planned. It took place, last week, not in one of the big international opera houses where Mr Hampson has become a regular performer, but at Monte-Carlo. Here – away from the limelight, in Garnier's small jewel-box of a theatre – voices never have any need to press for audibility, contact between singers and audience is close, and the productions are cast and mounted with care and finesse.

This was, indeed, not a One Man Show but an intelligently devised staging – by John Cox in the bold-coloured, strikingly modern-accented sets and costumes of Paul Brown (designer of the much-admired Royal Opera *Mitridate*) – which increased even further my admiration for the whole work. In the later part of his career Thomas's name became a byword for passé traditionalism in French opera; Shaw's sallies against *Hamlet* – "I really never saw such a foolish opera" – were sharp-pointed.

At this date there is surely no longer any need to *mind* operatic Shakespeare in this pared-down form, with its far-from-conventional Happy End. The beauty of so much of the opera resides in the fastidiousness and precise purpose with which Thomas treated Grand Opera conventions. Numbers familiar out of context (Hamlet's monologues and Drinking Song, Ophelia's florid Mad Scene) gain miraculously from their surroundings. The distinct tone and colour of the orchestral writing show how much Thomas learned from Berlioz; and while there are big public scenes in the Meyerbeer manner, it is the combination of intimacy and seriousness that keeps them – and, indeed, the opera – so fresh and so surprising.

Mr Hampson provided a noble centre point. His high baritone, near-tenorial in clarity and lightness of timbre, is an instrument of the utmost artistocratic elegance; so are his stage demeanour and his excellently schooled delivery of French. He has a Lieder-singer's gift of close focus, which lent a particular eloquence to Thomas's "To be or not to be" and "Get thou to a monastery" (with its wonderful blossoming as a trio). In the earlier acts he seemed self-absorbed, lacking a degree of emotional intensity and, with it, a quickness of reaction to the others on stage.

But as the operatic momentum built up, so did the evidence of his engagement. If Mr Hampson should choose to make Hamlet a mainstay of his repertory, I predict for him an ever-growing success. I also predict a big future for the Ophelia, the very young Bulgarian Alexandrina Pendachanska (a recent WNO Gilda), whose highly individual *soprano leggiero* – needle-bright yet full of "bottom" – is complemented by a heart-breaking innocence of stage personality.

*Stefania Toczyska (Gertrude)* and Philippe Duminy (Claudius) both made much of their well-written roles. Lawrence Foster was the sound, secure, but sometimes rather unimaginative Monte-Carlo conductor, a little too free with the cutting shears.

**Hamlet**
**Monte Carlo**

**Max Loppert**

London Sinfonietta/Barbican

# A birthday gala

For months already the London Sinfonietta has been celebrating its 25th birthday; but Sunday was the actual anniversary, and the orchestra marked it one day earlier with an elaborate double concert at the Barbican. A rich bill of fare, suitable to the occasion: two premières (world and local), some hardy Sinfonietta perennials, a staged Stravinsky and a swatch of Broadway songs to remind us that Broadway-on-CD is now, in these straitened times, the Sinfonietta's ace in the hole.

Robert Saxton's new *Psalm – A Song of Ascents* is a trumpet concerto commissioned by the orchestra for John Wallace, who delivered it eloquently. Like other recent Saxton, it has visionary aspirations, and here and there echoes of Jewish intonations. The dissonance-factor is ingratiatingly low. From a striking start with bells, each of its continuous sections accelerates eagerly (though with less than the expected thrust, this time anyway); at last there is a soulful climax, and a small, serene coda.

**John Sessions**

An intricate solo cadenza midway puzzled me – it tickled the ear, without explaining quite what it was meant to be doing: perhaps that will emerge on further hearing. In Oliver Knussen's four delicate, impacted *Songs without Words* (first heard last year in New York) there were some teasingly dense passages which want further acquaintance too, but there was a palpable sprinkle of magic in each "song". A ravishing cello line in the second; an elegantly melancholy one for cor anglais in the fourth, where the other seven players slip in, one by one, to extend it with tender discretion.

Edgard Varèse's *Intégrales* had opened the first concert with all its scathing truculence intact, players spread out across the wide Barbican stage; and Schoenberg's Chamber Symphony no. 1 – in which the Sinfonietta team is peerless – ended it. (A trick of the acoustics, though, made the horns domineer uncomfortably.) There was a smoochy performance of Ravel's two-hand piano concerto by Paul Crossley; and Felicity Palmer revelled confidently in Berio's evergreen set of *Folk Songs*: for the next few years, *everybody* will want her to sing them.

*L'Histoire du Soldat*, the staged Stravinsky, turned out disappointingly flat. Nothing wrong with Elgar Howarth's treatment of the brilliant little score (he conducted the Varèse and Ravel too), nor of course with the instrumentalists, and Roger McGough's new words served well enough; Jim Carter's sturdy narrator and John Sessions' nervy soldier did what they could with what they were given to do. Stephen Langridge's production, however, gave them next to nothing.

His initial premise, that the role of the devil could be assigned effectively to six young amateur mimes, was already a grave mistake. Far worse, indeed quite ruinous, was the use he made – or rather failed to make – of the crackling score. Instead of letting it generate all the lively, inventive movement and byplay that Stravinsky and his collaborator Ramuz expected for their show, he let the action stop dead, again and again, while the music proceeded like abstract concert numbers from stage left. Sad, and boring, a complete waste of an enviable opportunity.

The nine Broadway numbers in the last half of this second concert made more than fair amends, some old favourites (Cole Porter's "Begin the Beguine", the sumptuous original version of Jerome Kern's "All the Things You Are") and some fine rediscoveries (some more Kern, two strong Kurt Weill songs). The conductor John McGlinn, a specialist in this repertoire, had an excellent quartet of New York show-singers with him to give their professional all: Jeanne Lehmann, Ann Morrison, Hugh Panaro and George Dvorsky. They gave unqualified pleasure, and – in the circumstances – much-needed relief.

**David Murray**

*INTERNATIONAL*

# ARTS GUIDE

## ■ BERLIN

**CONCERTS**

**Schauspielhaus** Tonight: Michael Schoenwandt conducts Berlin Symphony Orchestra in works by Weber, Rakhmaninov and Ravel. Sat, *Sun, Mon: Miguel* Gomez-Martinez conducts works by Granados, Chopin and Berlioz, with piano soloist Bella Davidovich (2090 2156)

**Philharmonie** Tomorrow, Wed, Thurs: Bernard Haitink conducts Berlin Philharmonic Orchestra in works by Lalo and Franck, with violin soloist Ida Haendel. Wed (in Kammermusiksaal): Nikolaus Harnoncourt conducts Chamber Orchestra of Europe in a Mozart programme. Sat evening, Sun morning: Claudio Abbado conducts Beethoven's Fifth Piano Concerto (Maurizio *Pollini) and* Sixth Symphony (2548 8232)

**OPERA/DANCE**

**Deutsche Oper** Tonight: Peter Schaufuss' production of Nutcracker. Thurs: René Kollo sings Schumann's Dichterliebe. *Fri: Don Giovanni with Wolfgang Brendel. Sat: Macbeth with* Galina Kalinina and Simon Estes. Sun: Zar und Zimmermann. Feb 13: first night of new production of Der Rosenkavalier (341 0249)

**Staatsoper unter den Linden** Tonight: Dmitri Hvorostovsky song recital. Tomorrow: Tiefland. Wed: Nureyev production of Sleeping Beauty. Thurs and Fri: Carlo Maria Giulini conducts Dvořák's Seventh Symphony and Musorgsky's Pictures from an Exhibition. Sat: Giselle. Sun: Tristan und Isolde. Feb 3, 4 in Grosser Sendesaal of SFB: Gerd Albrecht conducts concert performances of Othmar Schoeck's last opera Das Schloss Dürande (200 4762)

**Komische Oper** Tonight: Prokofiev's ballet Romeo and Juliet. Tomorrow: Rienzi. Wed: Bartered Bride. Thurs: Handel's Giustino. Sat: Cosi fan tutte. Sun: Swan Lake (229 2555)

**THEATRE**

Cole Porter's musical Anything Goes is currently in previews at Theater des Westens, first night on Fri (319 03193). A new production of Racine's Britannicus, directed by Wolfgang Engel, opens at Schiller Theater on Sun (312 6505). Gisela May stars in Gerhard Klingenberg's new production of Gerhart Hauptmann's 1893 tragic-comedy Der rote Hahn (Red Rooster), opening at Renaissance Theater on Sat (312 4202). Berliner Ensemble has Shakespeare's Pericles directed by Peter Palitzsch, daily from Wed to Sun (282 3160). Marcel Marceau appears at Metropol Theater next Mon (313 4554)

● *Tickets and information for* theatre, revues, concerts and nightclub shows available from City Center Theater und Konzertkasse, Kurfürstendamm 16 (tel 882 6563 fax 882 6567) and Theaterkasse im Europa-Center (tel 261 7051 fax 261 9286)

## ■ GENEVA

Next Mon at the Grand Théâtre, Carlo Rizzi conducts the first night of Werner Schroeter's production of Luisa Miller, with a cast including Thomas Allen, Neil Shicoff and Kallen Esperian. Further performances on Feb 5, 9, 13, 17, 21 (311 2311). Next Mon at Victoria Hall: Riccardo Chailly conducts Zurich Opera Orchestra in Mahler's Seventh Symphony (310 6611)

## ■ MILAN

**Teatro alla Scala** 20.00 Maurizio Pollini piano recital. Fri: Marcello Viotti conducts first night of Pier'Alli's new production of Beatrice di Tenda, with Cecilia Gasdia (in repertory till Feb 16). Next Mon: Solomon Trio. Feb 11: revival of John Cranko's ballet Onegin. Feb 15: Claudio Abbado conducts Berlin Philharmonic Orchestra (7200 3744)

## ■ NEW YORK

**OPERA/DANCE**

**Metropolitan Opera** Tonight and Fri: Il trovatore with Aprile Millo, Lando Bartolini and Vladimir Chernov. Tomorrow and Sat evening: James Levine conducts Otto Schenk's *new production* of Meistersinger. Wed and Sat afternoon: Un ballo in maschera. Thurs: Die Zauberflöte with Dawn Upshaw. Feb 1, 5, 11, 17, 25: Der Rosenkavalier. Feb 4, 8, 18: Les Contes d'Hoffmann with Domingo (362 6000)

***State Theater** New York City* Ballet's repertory performances continue daily except Mon till Feb 21 (870 5570)

**CONCERTS**

**Avery Fisher Hall** Kurt Masur conducts tomorrow's New York Philharmonic concert featuring works by Stravinsky, Bach and Tchaikovsky, with piano soloist Peter Serkin. Thurs, Fri, Sat, next Tues: Erich Leinsdorf conducts works by Hindemith, Haydn and Tchaikovsky (875 5030)

**Carnegie Hall** Seiji Ozawa conducts Boston Symphony Orchestra on Wed and Thurs in works by Bartók and Rakhmaninov, with piano soloist Evgeny Kissin. Fri: Yefim Bronfman and Lynn Harrell play cello sonatas. Next Mon: Riccardo Muti conducts Philadelphia Orchestra. Feb 16-18: Solti conducts Vienna Philharmonic (247 7800)

## ■ VENICE

The 1993 opera season at La Fenice opens tomorrow with a new production of Gounod's Faust conducted by Emil Tabakov and staged by Fabio Sparvoli, with a cast led by Chris Merritt, Samuel Ramey and Luciana Serra (also Jan 28, 31, Feb 2, 4, 6). Maurice Béjart's new ballet ensemble Rudra Béjart Lausanne makes its Italian debut on Feb 11 (daily till Feb 19 except Feb 17), followed by concert performances of Carmina Burana conducted by Zoltan Pesko (Feb 23-28). The season also includes productions of Idomeneo with Yvonne Kenny and Delores *Ziegler (first night March 21)*, Norma (April 27), Evgeny Onegin with Sergei Leiferkus and Neil Shicoff (May 28), an Alan Curtis/Pier Luigi Pizzi production of Goldoni's Buovo d'Antona (July 3) and Der Rosenkavalier (Oct 31). Bookings and information from Biglietteria del Teatro La Fenice, Campo S Fantin, 30124 Venezia (tel 521 0161 fax 522 1768)

## ■ VIENNA

**OPERA**

**Staatsoper** Tonight: Tosca with Mara Zampieri. Tomorrow: Il barbiere di Siviglia. Wed: Capriccio with Lucia Popp and Anne Howells. Thurs: La traviata with Tiziana Fabbricini. Fri and Sun: new production of Giselle. Sat: Otello with Vladimir Atlantov, Julia Varady and Renato Bruson (51444 2955)

**Volksoper** Tonight and Sun: Heinz Karl Gruber's new opera Gomorra. Tomorrow: Don Giovanni. Wed: Der Graf von Luxemburg. Thurs: My Fair Lady. Fri: Evgeny Onegin. Sat: Merry Widow (51444 2959)

**CONCERTS**

**Konzerthaus** Tonight: Heinrich Schiff joins Alban Berg Quartet for a programme of Schubert chamber music. Wed: Ursula Oppens piano recital. Thurs, Fri, Sat: Kurt Sanderling conducts Vienna Symphony Orchestra in Beethoven's Fourth Piano Concerto (Elisabeth Leonskaja) and Bruckner's Seventh Symphony. Sun morning: Michael Gielen conducts Austrian Radio Symphony Orchestra in works *by Schreker, Ravel and Bruckner* (712 1211)

**Musikverein** Tomorrow: Sandor Vegh conducts Camerata Academica in works by Mozart and Schoenberg. Wed: Amadeus Chamber Orchestra, with piano soloist Brigitte Engerer. Fri: Gidon Kremer, accompanied by Oleg Maisenberg, plays violin sonatas by Bartók and others. Sun: John Eliot Gardiner conducts English Baroque Soloists and Monteverdi Choir in Haydn's Creation. Feb 4, 6, 7: Solti conducts the Vienna *Philharmonic (505 8190)*

**THEATRE**

George Bernard Shaw's Misalliance opens tomorrow at Vienna's English Theatre, daily except Sun (Josefsgasse 12, 402 1260). Manfred Karge's new production of Die Rundköpfe und die Spitzköpfe, Brecht's atrocity tale with music by Hanns Eisler, opens on Fri at the Akademietheater (51444 2959). The Burgtheater repertory includes Kleist's Käthchen von Heilbronn directed by Hans Neuenfels and Goldoni's Impresario of Smyrna directed by Claus Peymann (51444 2218). Theater an der Wien has Elisabeth, a musical about the child bride of Emperor Franz Josef, daily except Wed (5883 0237)

**European Cable and Satellite Business TV**

(all times are Central European Time)

**MONDAY TO THURSDAY**

**Super Channel:** European Business Today 0700; 22.30

**MONDAY**

**Super Channel:** West of *Moscow 1200.*

**Super Channel:** Financial Times Reports 0630

**THURSDAY**

**Sky News:** Financial Times Reports 2030; 0130

**FRIDAY**

**Super Channel:** European Business Today 0700; 1200; 2230

**Sky News:** Financial Times Reports 0530

**SATURDAY**

**Super Channel:** Financial Times Reports 0830

**Sky News:** West of Moscow 1130; 2230

**SUNDAY**

**Super Channel:** West of Moscow 1830

**Super Channel:** Financial *Times Reports 1900*

**Sky News:** West of Moscow 0230; 0530

**Sky News:** Financial Times Reports 1330; 2030

## Samuel Brittan

# Cut base rates to 5% before Budget

I cannot remember which, if any, poet said: "It is always darkest before the dawn." As it can always get darker still, this saying, like so many others, is of no use in informing the sleepless watcher of the night how long it is before sunrise. The latest economic indicators show that it is still getting darker.

It is not the headline rise in UK unemployment to 60,000 in December that is so alarming, but the fact that it is rising by more than 40,000 a month on a three-monthly and six-monthly average – much worse than in the middle of 1992. It is no use dismissing unemployment as a lagging indicator when more coincident signals, such as manufacturing output, dropped by ½ per cent in the quarter to November, or an annualised fall of 2 per cent.

The vacancy figures have, it is true, risen slightly; but anyone who watched this indicator through the 1980s will be careful of relying on it. The Chambers of Commerce Survey shows more optimism, but that is in comparison with a nadir of pessimism reached last autumn at the time of Black Wednesday. There has been a deterioration since the recent Treasury monthly report, and it now looks more likely that non-oil GDP fell further at the end of last year rather than bottoming out as Whitehall had hoped.

Even the 1 to 1¼ per cent growth rate predicted by the Treasury for 1993 would not have been enough to stop the rise in unemployment. For this to happen, output would have to rise in line with productive capacity. In the more optimistic late 1980s the Treasury thought the underlying growth rate of non-oil GDP was 2¾ per cent per annum. The fashionable estimate has now been trimmed back to 2 per cent – quite a large change when cumulated over several years.

This downward revision may however be wrong, and not allow enough for the second round of workforce trimming now hitting the economy. Indeed, output may have to grow for some time by at least 3 per cent per annum before there is a real reversal of the unemployment trend.

There is a danger of getting the worst of all worlds in government economic policy. Unlike the governor-designate of the Bank of England, Mr Eddie George, who has joined the Europhobic clan by calling last September 16 – the day when official efforts failed to save ERM membership – White Wednesday, I still support the European Exchange Rate Mechanism run in the right way. But so long as the UK is outside, it might as well enjoy its freedom of action to cut interest rates whenever necessary.

**Waiting to make small cuts is self-defeating, even in tactical terms, because sterling has already weakened in anticipation of such cuts**

To come to the point, I do not see what is to be gained either by continuing with slow and small interest rate cuts, or waiting until the Budget. The economic position justifies a reduction to 5 per cent very soon.

Whether this is done in successive small stages, or in one fell swoop, I leave to the supposed experts in financial market psychology. The important thing is that it is done quickly. The prime minister, perhaps because he had only the chance to introduce one Budget in a great rush while he was chancellor, overestimates the contribution that budgetary packages can make. And there is no point in delaying until then.

Is this a U-turn on my part? Tactical yes, strategic no. The same outlook should lead to different policies in different circumstances. I still think that the ultimate effect of monetary policy is on inflation, and that unemployment needs to be tackled by structural policies. Nevertheless, the wrong macro-economic policy can aggravate fluctuations; and a hysterical depression atmosphere leads to make-work policies, such as keeping open uneconomic coalmines, rather than genuine structural reform, which must tackle wage flexibility at the micro-level.

My main inhibition about interest rate cuts has been the effect on sterling, and thus on prices. But the exchange rate swings which entrench inflation are the long ones, such as the fall in sterling against the D-Mark from DM11 in the 1970s to about DM2½ today. The Bank of England worries too much about the speed of exchange rate movements over a few weeks or months, and not enough about the trend over longer periods. I can still remember how, after making it widely known how much it disagreed with the government over the high rate of sterling in 1980, the Bank of England panicked when the pound did begin to fall in 1981-83, and insisted several times on braking action.

Indeed, the policy of waiting to make small cuts is self-defeating even in tactical terms, because sterling has already weakened in anticipation of base rate cuts to come. On the other hand, if base rates looked as if they had reached bottom or nearly so, the markets would begin to anticipate the next move being upward, as they have over the US dollar.

Finally, so long as the economy is so weak, the government will be inhibited from cutting spending or raising taxes enough to correct the serious underlying Budget deficit – and rightly so. The sooner the economy shows signs of a convincing recovery, the sooner that corrective budgetary action can be taken, although even that is not likely to be before the second Budget in December.

# Growing clamour for a stronger voice

## The balance of power in Japan is shifting towards those who want their country to play a bigger international role, says Charles Leadbeater

Japan's political leadership is considering taking its boldest step yet into the uncertain post-cold war world. It will soon decide whether to begin a review of Article Nine of the 1947 constitution, imposed by the US in its postwar occupation.

Article Nine, known as the peace clause, renounces war and the use of force. It is at the heart of Japan's troubled postwar identity.

The review, which senior figures in the ruling Liberal Democratic party are expected to propose today, would involve all the main political parties in potentially divisive debate about the merits of the constitution.

Mr Kiichi Miyazawa, the prime minister, has signalled he is opposed to change, while Mr Michio Watanbe, the foreign minister, and several other powerful cabinet ministers argue that reform is essential if Japan is to play a wider role in the world.

For traditionalists, including many in the Social Democratic party, the main opposition party, the clause enshrines Japan's exceptional character as a state that does not wish to translate its economic power into military might. To revisionists, it is an anachronism of the cold war era, which consigns Japan to an unhealthy dependence upon the US.

Since the end of the cold war, Japan has taken several small steps towards becoming more active in world events, highlighted by the recent dispatch of troops abroad for the first time since the second world war to serve as United Nations peacekeepers in Cambodia.

But as yet there seems to be no clear answer to the question: what kind of international power does Japan want to become?

It is widely accepted that the Yoshida doctrine, which has guided Japan's foreign policy since the 1950s, is not tenable. The doctrine, named after Shigeru Yoshida who dominated Japanese politics after the war, has four components: Japan's main goal should be economic development to match the west; it should be lightly armed and avoid involvement in international conflicts; to achieve this it should accept the political leadership and military protection of the US; Japan's diplomacy should be "value free" to allow it to trade with a wide range of states regardless of their political complexion.

The doctrine has been one of the most durable successes of postwar foreign policy among the leading powers. While Japan has been politically withdrawn, it has forged ahead economically.

But the doctrine is being overtaken by events. The bindings of its relationship with the US are loosening. The Russian military threat, which brought the US and Japan together, has receded. The US increasingly views Japan as its arch economic competitor.

For Japan, economic power has brought the need to make choices. For three decades after the second world war, the aim was to catch up with the west. Now that it has caught up, it cannot remain a follower; it has to set its own course.

Several camps are competing to provide Japan with a foreign policy lead:

● The traditionalists. The most prominent is Mr Miyazawa. This group has elevated the pragmatic Yoshida doctrine into a faith, based on the belief that Japan is a "special state". Its history of wartime aggression and, most importantly, nuclear bombing make it exceptional, the group argues.

Japan should accept as a principle a modest international role under the US umbrella, say the traditionalists. Japan's sovereignty must always be compromised, they believe, because it can never become an international military force, even in the cause of peace.

● The traders. Mr Noahiro Amaya, former vice-minister at the Ministry of International Trade and Industry, has been the most controversial proponent of Japan as a commercial democracy. Miti is still the bastion of this view.

The traders believe Japan should model itself on the great trading powers of the 15th and 16th centuries, such as the Netherlands. According to this view, Japan is the world's merchant, the US is the world's samurai. Japan should assess diplomatic initiatives against their financial returns.

Sea change: Japan is debating whether to review the peace clause that renounces war and the use of force

● The new realists. The most famous is former prime minister Mr Yasuhiro Nakasone. The most influential is Mr Ichiro Ozawa, a young LDP politician who is expected to become one of the most powerful figures in Japanese politics in the course of the decade.

The new realists believe that adherence to Article Nine is isolationist pacifism. Japan's international partners will see it as a free rider, benefiting from the world's trading system but doing little to protect it.

The realists believe the 1991 Gulf war showed that a cash-based approach to diplomacy does not work. After much debate, Japan contributed $13bn to a war effort that most Japanese did not support. Yet the nation feels it received only grudging thanks from its international partners, who accused it of dragging its feet.

The realists argue that the link with the US should be strengthened: Japan should contribute more to international security through finance, personnel and technology. Japan's political institutions should be reformed to create a two-party political system, which would generate open debate on Japan's foreign policy priorities.

Yet, they say, Japan should not simply follow the US. It should represent an Asian view of the world, especially on economic issues, where the US and Europe could learn from the Far East's dynamism.

● The nationalists. The end of the cold war has unleashed nationalism in much of Europe. Such a movement is politically muted in Japan, for fear of rekindling other countries' fears that it harbours imperial ambitions.

Yet there is an increasingly powerful sense of national pride in Japan, stemming from the contrast between its economic achievements and social stability and America's economic and social malaise, symbolised by the spread of drugs, urban violence and divorce.

The Yoshida doctrine was framed when Japan was vulnerable. Japan's future foreign policy will reflect its growing national confidence.

● The visionaries. Members of this group hold widely differing views, but they share a belief that Japan should stand for a new kind of world order.

They comprise people like Mr Akio Morita of Sony, who has called for an international standardisation of employment and social provisions to ensure fair competition. Others argue that Japan should become the standard bearer of an international welfare state, focusing on solving transnational issues such as the environment, Aids and refugee relief.

The balance of power is gradually shifting from the traditionalists and the traders, who take their lead from the foreign policy of the 1950s and 1960s, to the new realists, who will articulate Japan's self-confidence.

This change in part reflects the rise of a younger generation of political leaders, with no memory of Japan's wartime devastation or its postwar dependence upon the US.

The shift in Japan will pose troubling questions for the US and Europe. Japan has so far played a limited international role, partly because the west has been unsure what role it wants Japan to play. Japanese politicians frequently complain that the west wants Japan to be content as an international cash dispenser, providing finance for events such as the Gulf war or reform in Russia, without having an equal voice on policy. This is symbolised, for the Japanese, by their lack of a permanent seat on the UN security council.

The accession of the new realists into positions of power in Japan will bring benefits and costs for the west. Japan will play a more active world role, but the west will also find it tougher to bargain with.



# LETTERS TO THE EDITOR

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## A freedom that invites objection

*From P W Bloomer.*

Sir, Sir Bryan Hopkin and Sir Douglas Wass (Personal View, January 22) set out their opposition to the idea of an independent central bank for the UK in terms that one might expect from civil servants who resent the thought that power might be better exercised by independent professionals than by politicians.

Their objections seem not to be that a central bank would not provide a stable monetary environment for business to work within. Instead they object to the idea that the setting of monetary policy by a group other than the government of the day would constrain that government in its activities in the fields of taxation, spending, borrowing and all the other areas in which governments like to become involved. Exactly.

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## Much closer to equality

*From Lady Howe.*

Sir, In his article, "Delay for equality in senior jobs forecast" (January 19), David Goodhart reported me as saying that "it would still take 25 years for women to achieve equality with men".

I certainly did say that it would take 25 years to ensure parity between men and women at work, but the 25 years I referred to was a forecast I had made in 1975, when I was deputy chairman of the Equal Opportunities Commission.

This forecast, as you will appreciate, brings us up to the year 2000, which is also the year Business in the Community's Opportunity 2000 has targeted in its campaign to improve the balance of men and women at all levels in the workforce.

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## A convention for banking that has proved a disaster

*From Mr Geoffrey W Gardiner.*

Sir, The claim by Mr Leigh-Pemberton, governor of the Bank of England, to be innocent of blame for the plight of the banks ("UK bank losses blamed on government policies", January 19) is not acceptable, for he is guilty of fostering the Basel (not Basle!) convention.

Lex (January 19) remarks that the banks should have lent to those who had a sustainable cash flow instead of preferring those who offered security. The convention encourages banks to seek security, however phoney. Its risk-weighting provisions allow twice as much lending to secured borrowers as to the unsecured. Therefore, provided it could maintain the same interest margin, a bank could double its earnings per share by lending to bad secured risks rather than to good unsecured borrowers. The provisions probably also favour large companies against small private companies, because many of the latter will for tax reasons have their premises, their best security, in a controlling directors' pension fund.

Although the convention is only now coming into force as an international agreement, its provisions on capital adequacy were known by 1987 at the latest. The committee's final recommendations are dated July 1988. Banks' lending decisions have doubtless been influenced by the convention for at least five years.

The Basel convention was an example of that most prevalent of late 20th century diseases, short-sighted do-gooding. It sounded marvellous when presented by its academic supporters on paper, but has been a disaster in practice. It should be replaced immediately by a simpler agreement which sets a capital adequacy ratio of perhaps 8 per cent with no risk-weighting at all. The capital base should be wholly equity and represented by realisable assets. There should be no second tier capital because loan capital is still loan capital, however much subordinated, and can therefore precipitate an untimely liquidation.

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## Aiming for a known target

*From G V Ingram.*

Sir, Re your editorial, "How to target inflation" (January 19), to be really effective, targets should be simple and easily conveyed, and the consequences of failing to meet those targets should be known in advance.

This all sounds too simple for governments, but for individuals it is highly relevant.

A target on earnings could be set with the conditions that, say, monetary policy will be changed in a specific way if they are breached. The condition might be that interest rates will be set at 2 per cent above average earnings figures. This is simplistic, but would be clear to negotiators, etc – if they pushed hard for higher earnings, they would know they were directly contributing to the cause of higher rates. At present, negotiators and individuals find it all too easy to blame someone else for the problem.

If people knew that higher increases in earnings would lead to higher interest rates and therefore mortgage rates and so on, they might consider whether pushing for higher settlements was worthwhile.

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## Issue taken with minister on meaning of judgment

*From Ms Melanie Tether.*

Sir, May I take issue with Michael Forsyth's assertion (Letters, January 22) that the judgment of the European Court of Justice in Rask v ISS Kantineservice A/S says nothing new about the potential of the EC Acquired Rights Directive to apply when a service is contracted out.

Mr Forsyth is right to say that the judgment does not alter the principle that employees only have rights under the directive if the undertaking in which they work is transferred as a going concern. This is, however, an altogether too superficial analysis. The real importance of the judgment lies in the guidelines which the court laid down for determining what amounts to "the transfer of an undertaking as a going concern". Those guidelines will have a dual significance in the context of contracting-out.

First, the court said that a service which has previously been provided in-house may amount to "an undertaking" if it forms an identifiable part of the employer's operations. Second, the court indicated that, where a service is sufficiently self-contained, the assignment of operational control over it to an outside contractor may of itself amount to "a transfer", even though the employer retains ultimate responsibility. The latter situation has traditionally been regarded by the UK courts as involving a mere contract for the performance of services rather than the transfer of an undertaking.

Although the court left it to the Danish judge to apply these guidelines to the facts of the case, it nevertheless made clear its view that there could be a transfer of an undertaking where an employer contracts out the management of an in-house service (in the Rask case, a staff canteen).

Every case will, of course, depend on its own particular facts. There can, however, be little doubt that, if the contracting-out of a staff canteen can amount to the transfer of an undertaking, the potential of the directive to apply when services in central and local government are contracted out is very great indeed. Certainly it can no longer be said, as Mr Forsyth did (Letters, November 30), that "there is not normally a transfer of an undertaking in these circumstances".

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# The task for Mr George

THE NEW governor and deputy governor of the Bank of England can have no doubt what the government thinks they are there to do. In announcing the appointments, Mr Norman Lamont insisted that their responsibility "should be to support the government in our determination to bring about a lasting reduction in the rate of inflation". So the old lady of Threadneedle Street is to remain submissive, though ostensibly submissive in a good cause. The question is how far the new team will accept being neutered.

After the French decision to make the Banque de France independent, the Bank of England will be the least independent central bank in the Group of Seven industrial countries, not so much the Old Lady, more the eunuch of Threadneedle Street. In the international meetings he will attend as governor, Mr Edward (Eddie) George will have to defend what he has influenced, but not made. Worse, on past form the policy he will have to defend will not only be the most political, it will also be among the least competent.

The government justifies its determination not to grant independence to the Bank by the political sensitivity of interest rate decisions. Yet that sensitivity is itself a legacy of past inflation. The high proportion of owner-occupiers, the dominance of borrowing at variable rates of interest, the fluctuations in short-term interest rates, all these have been caused by inflation. Will any politician be prepared to break this vicious circle, especially when an election looms near? Unfortunately, it seems quite unlikely.

Mr George and Mr Rupert Pennant-Rea must try to increase the chances. After they get over initial disagreements – Mr George's greater scepticism about the exchange rate mechanism, for example and The Economist's support for Lord Lawson as the next governor – the two men will find happy agreement on the importance of keeping inflation down.

Thereupon the new team should decide not to be as submissive as the government wants. To Mr George's ability to speak with authority on central banking, Mr Pennant-Rea must add a journalist's willingness to be outspoken. They will need to be precisely that, because there will be little else for the Bank to deploy, bar influence behind closed doors.

Should the new team have the courage to speak out, it will be effective. A recently humiliated government will find it impossible to brush aside warnings from the Bank. What is more, in the Bank's new quarterly assessment of inflationary trends lies its opportunity. It offers independence in embyro. The Bank should say precisely what it thinks and let the government, which must borrow some £50bn a year for many years to come, cope with the consequences of ignoring it.

In analysing the appointment that the government had to make, the FT argued that "the new governor must be capable of representing and defending the Bank's policy views both in the UK and abroad; he should be able to contribute to a national debate on the proper functions and structure of the Bank; he should be open to new ideas; and he should be able to tackle the managerial failures of the Bank that have been revealed so starkly in the case of BCCI".

The new governor and deputy governor have many of the required qualities between the two of them. It is now for Mr George to prove that he has not been too thoroughly house trained during his 30 years at the Bank and has learned from recent disasters as well. It is for Mr Pennant-Rea to help him to reach out to the public and shake up the Bank. If they are to succeed, they must remember that the Bank exists to serve not the interests of the government of the day, but those of the British people. What the latter need from their central bank is sound finance and sound money. The new team must be prepared to risk all for that cause.

# Kashmir's plight

THE MISERY of Kashmir has tended to be forgotten amid the upsurge in disputes elsewhere. It should not be. Thousands have died in Indian-held Kashmir during the insurgency of the past three years. Human rights abuses are commonplace. The current visit by Mr John Major to India offers an opportunity to renew pressure for a solution.

India and Pakistan, which have fought two wars over Kashmir, remain at loggerheads. Britain has suggested three steps, to be pursued simultaneously: India should foster political dialogue leading to elections in Indian-held Kashmir and the observance of human rights; Pakistan should not give assistance to militants in Indian-held Kashmir; and the two countries should talk to each other.

There is no sign that any of this will happen. Though the Delhi government has announced that elections will be held in Kashmir, there is little prospect that they could be, or that they would be meaningful. India maintains a force of some 400,000 in Kashmir to contain insurgency. Its cause suffered a severe setback on January 6 when paramilitary troops went out of control in Sopore and killed over 50 local people.

By insisting that Kashmir is a domestic problem and seeking to solve it by little other than brute force, India has alienated most Kashmiris. An attempt at a political solution, with reduced military presence and moves to win the hearts of Kashmiris, is urgently needed.

Talks need to be held under international auspices – whether Britain, the Commonwealth or the UN – in order to try to solve the Kashmir issue once and for all.

Whether or not independence were on the agenda, such discussions would not be credible to Kashmiris unless they had some form of representation at the table. It would be most important for the parties not to get bogged down – as they tend to – in fruitless argument about what happened in 1947, but to consider the way forward.

India and Pakistan can expect continued pressure from the new US administration on their nuclear plans. International aid donors will increasingly look askance at the human rights records if there is no progress in Kashmir. But the best reason for action is that, as both pursue radical economic reforms, they need to contract military spending and expand trade opportunities. A Kashmir solution would offer scope for both, and bring long-overdue peace to the Kashmiris.

# Untimely truce

MR RANIERO Vanni d'Archirafi, the EC's internal market commissioner, has made a disappointing start in his new job. His apparent offer last week of an indefinite truce to governments that flout or fail to implement the rules of the single market is, at best, a public relations blunder. At worst, it suggests a loss of nerve which could jeopardise the progress achieved to date towards economic integration.

Mr Vanni d'Archirafi argues that it is better to secure positive acceptance of single market measures, even if that involves delays, than to provoke a political confrontation by imposing them. There are only two areas in which such an approach may be defensible. One is in the initial implementation of new VAT and excise procedures, the complexity of which has created genuine confusion in many parts of the EC.

The other is in efforts to win agreement on the free movement of people across internal frontiers. The Community's legal authority in the matter is not clear-cut, and much depends on voluntary co-operation between member states in dealing with problems such as terrorism and drugs. Heavy-handed coercion from Brussels now could be counter-productive and hand ammunition to opponents of the Maastricht treaty.

However, there is no case for extending leniency to the rest of the single market programme, covering goods, services and capital. Its realisation is a formal treaty commitment, enshrined in the Single European Act and in almost 300 EC directives painstakingly negotiated since 1987. Implementation and enforcement of these measures are no longer a matter for the political discretion of Mr Vanni d'Archirafi or anyone else. They are an unambiguous legal obligation.

Barely half the single market directives have so far been turned into national law by all 12 parliaments. Any hint that the Commission intends to relax the pressure now can only encourage further legislative procrastination and disregard for Community rules. Past experience has shown that, left to themselves, many governments renege on EC undertakings. It is not reassuring that Italy, which appointed Mr Vanni d'Archirafi, is one of the worst offenders.

The Commission needs to make clear that such backtracking will not be tolerated. Failure to do so now would further weaken its authority, robbing the single market of impetus, and ultimately threatening the cohesion of the Community.

The Bank of England's new bosses may have a few surprises in store for Mr Major, argues **Peter Martin**

# As independent as they feel

In appointing Mr Eddie George as the next governor of the Bank of England, the government has done a paradoxically risky thing. On the face of it, there is no risk involved at all. Mr George has worked at the Bank for 30 years, and has been running its day-to-day operations since becoming deputy governor in 1990. He is a discreet, professional operator, well known to the civil servants and politicians he will have to deal with during his initial five-year term.

The appointment is risky, none the less. It has brought about something Whitehall normally strives to avoid: giving a man with strong and independent views a pulpit from which he will have little choice but to express them publicly.

A first faint shadow of the potential tensions to come was evident on Friday night, at a hastily summoned press conference with Mr George and his deputy-designate, Rupert Pennant-Rea, editor of The Economist magazine.

As journalists arrived, they were handed a statement from Norman Lamont, chancellor of the exchequer, welcoming Mr George and setting out his task: "I have made clear to the new governor that his central responsibility should be to support the government in our determination to bring about a lasting reduction in the rate of inflation, the only sound basis on which sustainable growth and secure jobs can be built."

The political meat of this statement is contained in the first 18 words: the Bank's responsibility is to support the government. Only then does the sentence turn to the substance of current policy, the need for low inflation.

Intentionally or not, the phrasing of the statement emphasises the government's view that the Bank plays an essentially subordinate role in formulating economic policy. The prime minister, Mr John Major, is known to have turned his back on the arguments advanced by some in his own party that the only way to achieve long-term price stability is to give the Bank of England formal independence. Though a commitment to an independent central bank is also enshrined in the Maastricht treaty, it is not something the prime minister wishes to consider at the moment.

Mr George is a forceful advocate of the view that low inflation should be the central aim of economic policy. In the past, he has argued for a central bank with a high degree of operational independence, with a statutory obligation to aim for price stability. An elected government should be able to overrule such a semi-independent Bank, he has told colleagues, but only in a formal and public way.

On Friday night, he returned to the theme. What counted was not the institutional mechanism, he said, but the shared commitment to low inflation, and he welcomed the chancellor's statement.

Then he went on: "Having said that, I do think that there is a good case for making the setting of the strategic objective and the operational responsibility for achieving that objective separate. But that is essentially a matter for politicians, for government and for parliament to consider."

As long as the government remains as committed to low inflation as the new governor, the debate on this issue is likely to remain a low-key one. Mr Pennant-Rea, whose magazine has argued for an independent central bank, promised on Friday that he would continue to advance that view from inside the Bank.

If the government seeks to diverge from the path towards lower inflation, however, a cosy theoretical debate about appropriate institutional structures will become a pressing issue of policy.

Mr Major believes that the political importance of mortgage interest rates is one argument that rules out an independent central bank. Yet what if the political imperative to keep mortgage rates low conflicts with the need for higher interest rates in the face of rising inflation?

This sort of situation – by no means unlikely over the next few years – would provide the decisive test for Mr George's governorship. In the past, Bank governors have largely confined themselves to private protests in such circumstances.

All Mr George's instincts, after 30 years in the Bank, must lie the same way. He said on Friday: "If independence has to be in some sense in opposition to government, in that case I don't think I want it."

Yet, unlike other recent governors, he will have no choice but to make his judgment known: the collapse of economic policy after sterling was forced to leave the exchange rate mechanism in September led the chancellor to ask the Bank for a public report every quarter on the inflationary outlook.

Given that, said Mr George, "It will be very difficult for us not to make known publicly if we actually think that the government's inflation objective is threatened".

This is not the only area in which there are seeds of potential conflict. Mr George is less than enthusiastic about a speedy move to European integration. He listed, on Friday, the various ways in which European economies would need to draw closer together before sterling could re-enter the ERM.

"What we've learnt from the experience of last year," he said, "is that it is critically important that we achieve a very high degree of economic convergence before it makes sense to lock in a rigid way exchange rates between countries."

His endorsement of the decision to join the ERM in 1990 was lukewarm. In considering such a decision, he said, "we may not think it is absolutely the right thing to do from a monetary perspective, but do we want to be left behind?"

In these ways, Mr George shows himself a loyal but sceptical servant of the elected government. He clearly has no illusions about the economic management of the British economy since the second world war: its failures had created a "credibility gap".

Other European central bankers, he said, would have no doubts about the Bank's commitment to low inflation, but they were bound to have questions about the government's, given the history of the past four decades.

There is plenty of scope for potential conflict there. In the public eye, however, the biggest question mark over Mr George's appointment lies not in his views but in his provenance.

He is only the second governor to come from the Bank's existing staff. The pressures for an outside appointment must have seemed particularly great, given the sterling crisis last autumn and the collapse of Bank of Credit and Commerce International in 1991.

Tony Andrews

Eddie George (left): 'I recognise the case for fresh air' – which comes in the form of Rupert Pennant-Rea (right)

Though, in the end, these issues were not enough to prevent Mr George taking over, they were enough to bring in an outsider as deputy governor. Mr George made it clear that such an appointment was the price the Bank had to pay for having one of its own staff as governor. "I absolutely recognise the case for having fresh air brought into the Bank," he said, in a tone that implied the case had been made to him fairly forcibly.

Just how much will change in the Bank as the new team takes charge is not clear. Mr George has a reputation as an extremely hands-on manager, though he did say he expected to be much less involved in administration.

Mr Pennant-Rea, in turn, was unclear about what his exact responsibilities would be, though he hopes to be closely involved in the presentation of the Bank's case to the world. He has some experience of bringing the musings of a bureaucracy to the public: in the 1980s he was regularly seconded to the World Bank to turn its annual World Development Report into comprehensible English.

The Bank will change in subtle ways under the new team. Those who hope for an immediate radical change in the way the institution works are likely to be disappointed, however. There had already been a revolution in the Bank, said Mr George. "If I could see an area in which there was an immediate need for further change, I would have been pretty remiss if I hadn't done that already."

# The risks of regulating

**Robert Peston** on the governor's supervisory challenge

Mr Brian Quinn, the Bank of England director in charge of banking supervision, once said that the Bank is never praised for the fact that most UK banks are run prudently and honestly. However, whenever a bank is in difficulties or is found to be corrupt, the Bank is blamed.

At the time, Mr Quinn was feeling bruised from the mauling the Bank received from press and politicians for its supervision of the Bank of Credit and Commerce International, the corrupt bank that was closed in mid-1991.

This mauling almost certainly ruled Mr Quinn out as the possible successor to Mr Eddie George as deputy governor, though as the Bank's senior executive director he would normally have been a leading contender for the post.

Mr George has not worked in the supervisory department, and therefore escaped criticism in Lord Justice Bingham's report into the supervision of BCCI, published last October. But he will face pressure as governor to take a view on whether bank supervision should be separated into a new specialist institution outside the Bank.

He seems ambivalent on whether such radical reform is necessary. He chose on Friday to stress that the priority is to rebuild morale, which was damaged by the BCCI criticism.

Lord Bingham found the Bank had been somewhat unprofessional, haphazard and timid. A picture of an insufficiently rigorous approach was also drawn in the recent report by Department of Trade and Industry inspectors into National Westminster Bank's involvement in the Blue Arrow affair.

The DTI report was possibly the more revealing of the two, in that it gave a rare description of the Bank's relationship with a leading UK bank, rather than an unusually byzantine foreign one like BCCI.

The report makes no suggestion that the Bank behaved improperly in its relationship with NatWest. But it lends weight to a widely held criticism of the Bank's structure: that its semi-official role as the spokesman and champion of the City makes it reluctant to take stern action against leading institutions, such as NatWest.

Whether or not it is appropriate for the Bank to play such a public relations role for the City, this function will be less prominent under Mr George. He is far less comfortable as a salesman than the current governor, Mr Robin Leigh-Pemberton.

As for taking action, the supervisory department has become less timid. It is now more methodical in deciding whether it has the right in particular cases to take punitive action under the 1987 Banking Act against individuals and institutions. A new legal unit within the supervision department – established together with an investigations unit in response to the Bingham report – gives it more reliable guidance on its powers.

There has been a second important change. Once the Bank is convinced it has the legal right to take punitive action, it has become less hesitant in doing so. Indeed, there are signs that it is no longer petrified by the prospect that one day the courts will overturn a decision it has made to declare an individual or institution unfit to continue in banking. It has belatedly come to the conclusion that its authority will not be undermined by such a court judgment.

These developments probably mean that the case for demerging the supervisory department has become less urgent. On the other hand, the supervision of other financial institutions is being reviewed by Andrew Large, the chairman of the Securities and Investments Board, and it is arguable that for him to ignore the Bank's supervisory role, as he appears to be doing, has maintains an artificial distinction between banks and other financial institutions.

Nonetheless, the debate on whether to separate supervision from the Bank's main functions will probably be deferred until the evolution of the its powers over monetary policy becomes clearer. If the Bank were given independent powers to set interest rates, there might be a conflict with its supervisory responsibilities. This is a view held by the next deputy governor, Mr Rupert Pennant-Rea. The argument, disputed by some Bank executives, is that a central bank's responsibility for ensuring banks' soundness might deter it from raising interest rates to combat inflationary pressures, if it feared doing so would seriously damage the bank sector.

On the other hand, no central bank can afford to be completely divorced from supervision. As the lender of last resort, it needs to be kept abreast of the health of commercial banks. Its monetary policy role also requires it to be confident that the payment system is sound.

So if supervision were demerged, the Bank would need to maintain close links with any new supervisory institution.

Probably the best argument for demerging was hinted at by Mr Quinn. Given that no supervisor receives public praise for doing the job properly, only blame when things go wrong, the central bank's reputation is always at risk of damage if it retains the supervisory function.

If Mr George wants to increase the Bank's standing in monetary affairs both at home and abroad – and that appears to be his main ambition – he stands more chance of success if the Bank does not risk contagion from occasional and inevitable supervisory errors.

# OBSERVER

## Big Blue puts on speed

■ There was a time when it seemed that IBM could do anything. But can it persuade the stuffy old codgers of the All England Tennis Club to install one of its new-fangled IBM "speedometers" on Wimbledon's centre court in time for this year's tournament?

Its latest invention, which comes complete with IBM logo, is designed to record the speed of a player's serve. Its introduction at the current Australian Open in Melbourne is proving popular with the public and controversial with the players.

World number one Jim Courier, who fought its introduction at last year's US Open, thinks it's a stupid idea. "It creates a situation where you say 'Gee! I hit that one 200kmph. Let's see if I can hit this one 202?'

"What's the point? If I hit a 140kmph slice serve into the corner, that's just as effective." Crass or not, the media and public have been lapping up the new statistics, noting avidly that the fastest gun in Melbourne's Flinders Park centre has been German ace, Michael Stich, with 203kmph. Monica Seles leads the women with 167kmph.

Wimbledon guards its on-court signage jealously, unlike most international sports events. Rolex for timekeeping, Slazenger for equipment and Robinsons for drinks have for many years been the only three branded products seen on court.

Maybe something will go right for IBM this year and it will become the fourth.

## Colourful brief

■ Andrew Arden, the 44-year-old Queen's Counsel who may be called on to carry out an inquiry into the "unprecedented corruption" alleged at Lambeth Council, is no stranger to the doings of London's loony left.

As a part-time thriller writer who has a taste for watching Hill Street Blues, drinking Southern Comfort and smoking Camel Cigarettes, Arden loves nothing better than investigating a good scandal. In the late 1980s he reported on an alleged freemasonry racket in Hackney. His weighty tome opened with the words: "In the London Borough of Hackney, the buck is in orbit."

In Lambeth, it seems, it is in outer space.

## Tough choice

■ Perhaps Sir John Harvey-Jones, ex-boss of ICI and troubleshooter extraordinaire, will allow the TV cameras to chronicle his next big decision – helping choose the next editor of The Economist weekly newspaper, which he chairs. It would give an interesting insight into his ability to pick winners.


'We'd like a girl and we'd like her to be a sagittarian'

Admittedly, Observer may be a little biased since The Economist is half-owned by the Financial Times. But it has been a fertile breeding ground for future highflyers. Not being tied by Fleet Street's restrictive practices, successive editors have had the pick of the bright young things coming out of university.

Sunday Times editor, Andrew Neil, ex-Times editor Simon Jenkins and Sarah Hogg, head of the prime minister's policy unit, all made their mark at the magazine before moving on and up. Meanwhile, Rupert Pennant-Rea is not the first editor to be rewarded with a big job. His predecessor, Andrew Knight, went on to head the Daily Telegraph before being poached by Rupert Murdoch to be his right-hand man. Knight's predecessor, Sir Alastair Burnet, left to edit the Daily Express.

Although The Economist has railed at the continuing influence of Britain's ruling class, the choice of the next editor will be made by the very same. The four trustees, including NatWest chairman Lord Alexander and former CBI president Sir Campbell Fraser, can veto the decision. However, it would be unusual if they did. It's up to Sir John and fellow directors such as Cadbury Schweppes' boss, Dominic Cadbury, and Sir Evelyn de Rothschild to find an editorial genius with untapped management skills.

Past form suggests that a thirtysomething stands the best chance. Walter Bagehot was only 34 when he was made editor and Geoffrey Crowther had just turned 31. But given its current success – circulation has topped 500,000 – it would be surprising if the directors chose an editor not steeped in the magazine's culture.

## Done it

■ A 23-year-old Hawaiian, *nom de guerre* Akebono and otherwise known as Chad Rowan, is apparently to be promoted to sumo's highest rank, *yokozuna* or grand champion, ending a curious debate over whether wrestlers imported from the US or elsewhere would be forever denied the exalted title.

Having won the latest Tokyo tournament, which finished yesterday, Akebono, 212kg and just over 2 metres tall, was told by serious-faced sumo officials that a meeting later this week is likely to confirm his promotion. The same serious-faced sumo officials had last year told another Hawaiian, Konishiki, a not insignificant 261kg, that an important barrier to his promotion was a lack of *hinkaku*.

Getting a precise definition of the all-important *hinkaku* was difficult, but it means something like gravitas and something more than mere technique. Whatever *hinkaku* is, Chad Rowan has it.

## On the money

■ Ladbrokes seems to have been remarkably accurate in calling Eddie George in the race for the Bank of England governorship. It's yet to open a book on the timing and content of the next cabinet reshuffle. But for what it's worth the smart money suggests the following: June cabinet reshuffle: Evens; Hurd to quit foreign office for the City: 2 to 1 on; Lamont to succeed him at FCO: 3 to 1; outsider for FCO, Tim Renton, former chief whip: 300 to 1. For the Treasury: Macgregor: Evens; Howard: 3 to 1; Portillo: 5 to 1; outsider Shephard: 20 to 1.

FINANCIAL TIMES
Monday January 25 1993



Voters expect little change ■ Business fears higher costs and job losses

# Danish coalition to name cabinet

By Hilary Barnes in Copenhagen

DANISH voters say they have only modest expectations from the new four-party coalition led by Mr Poul Nyrup Rasmussen, chairman of the Social Democratic party, while business fears it will lead to higher costs and therefore to a loss of jobs.

Mr Rasmussen spent yesterday putting together his cabinet, which he will present to Queen Margrethe today. It is expected that the administration – which will assume Denmark's current presidency of the European Community – will include at least a dozen Social Democrats, three members each from the Radical Liberal party and the Centre Democrats and two from the Christian People's party.

One of the foremost tasks for the new government will be to achieve a majority for the Maastricht treaty on European union in a referendum likely to be held in May. However, a poll by the Vilstrup institute, published in the national daily Politiken, showed 63 per cent of Danes would vote Yes and 37 per cent No. A month ago 70 per cent were in favour and 30 per cent against.

Three quarters of voters polled by a weekend Gallup survey said they did not think the government would succeed in reducing unemployment, the top priority in its programme. Two-thirds doubted that it would succeed in lowering personal income taxes, another aim, or create a significant increase in real wages.

Meanwhile, business leaders said the 4,500-word programme agreed between the coalition parties last week was contradictory.

"It promises low inflation and a continued surplus on the current balance of payments, but it also proposes new costs on business through 'green' taxes and wage sum taxes," said Mr Niels Thygesen, chairman of the Employers' Association. "This can destroy the government's aim of generating more jobs."

Mr Holger Nielsen, leader of the leftwing Socialist People's party, described the programme as "written by a pen filled with wool".

The change of government is a change of faces more than of policies. The three centre parties which have joined the government were all supporters of the outgoing non-socialist government. Furthermore, many areas of policy, including defence and fiscal policy, are subject to multi-party compromise agreements which are binding at least for the rest of this year.

EC policy is hammered out in the all-party market affairs committee of the Folketing (parliament) and will therefore also not be subject to sudden change as a result of the new government.

## Major leads business delegation to India

By Ralph Atkins in New Delhi

MR JOHN MAJOR, the UK prime minister, is planning further overseas trips with British businessmen as part of efforts to boost exports in a bid to tackle unemployment at home.

His initiative follows a trip to India, begun at the weekend, which shows signs of winning business for British industry.

Mr Major considers such visits, where a delegation of senior executives travels with the prime minister, as useful in attracting orders. "Exports abroad mean jobs at home," he said.

Privately, Mr Major has talked of a "new language" between UK industry and government.

Senior businessmen have been asked to travel with Mr Major to Japan later this year, the second such foreign trip he will have undertaken since becoming prime minister.

Mr Howard Davies, director-general of the CBI, the employers organisation, said the programme of economic reform adopted by India offered great potential for British business.

Stressing the significance of Mr Major's presence, he described a meeting between Britain's delegation and eight of India's most senior civil servants as "unprecedented".

"That would not have happened – or nothing like it – were it not for the fact that the prime minister was here."

Mr Major will today oversee the signing of a double taxation treaty between India and the UK, preventing profits of companies trading in both countries from being taxed twice.

He has also told businessmen accompanying him that government-supported export credit insurance to India will be reviewed, possibly by the start of the next financial year.

The 17-strong team of UK businessmen met Indian counterparts and government officials yesterday as it emerged that British companies were close to completing contracts worth more than £100m ($150m) for power station projects.

Separately, Cadbury Schweppes, the confectionery, food and soft drinks group, is to increase its investment in India by about £6m, reversing past divestment precipitated by India's now-abandoned regulations on foreign ownership. Other projects are expected to be announced by British Gas.

But little, if any, headway, appeared to have been made in assuaging UK companies' fears over exchange convertibility and India's labour laws.

● Reuter adds: Police arrested four Sikh militants after foiling a plot to bomb independence day celebrations due to be attended by Mr Major. The UK prime minister will today meet his Indian counterpart, Mr Narasimha Rao, when the subject of terrorism is expected to be discussed.

Musical interlude: folk musicians entertain John Major in New Delhi

## New York Post staff vote on pay cut of 20%

By Patrick Harverson in New York

EMPLOYEES at the New York Post were expected to vote last night to accept a 20 per cent pay cut that the owner, property magnate Mr Peter Kalikow, says is needed to keep the newspaper open.

The cut, which will be accompanied by a 25 per cent increase in the newspaper's cover price, was proposed by Mr Kalikow on Friday after Bankers Trust, the Post's banker, said it would no longer provide a line of credit to the ailing paper.

The Post has been beset by falling circulation and advertising sales in the highly competitive New York tabloid market.

Mr Kalikow has said that if the employees do not accept his proposal, the 191-year old Post, the oldest newspaper in the US, will close today.

Union leaders representing the paper's 720 employees have advised their members to accept the pay cut as the only way to keep the paper alive.

Four of the 10 unions accepted the measure on Saturday, and the remaining six were due to vote yesterday.

If the paper's employees accept the owner's proposal, Bankers Trust is believed to be ready to extend credit to the Post for another month. This would give Mr Kalikow more time to find a buyer or a big investor willing to provide financial support for the paper.

Two weeks ago negotiations with one potential investor, the financier Mr Leon Black, broke down, and since then Mr Kalikow says he has been in talks with three unnamed groups of investors who are interested in the paper.

## EC to probe background to crime

By David Marsh

REPRESENTATIVES of EC governments and training organisations are meeting in Belgium today to explore ways of breaking the link between European crime and unemployment.

The three-day meeting at Louvain near Brussels, organised by the Commission's employment and social affairs directorate, brings together experts from ministries and voluntary organisations from the 12 member countries.

The meeting will exchange ideas and information on projects to rehabilitate ex-offenders, highlighting a new approach to tackling the Community's growing law and order problems.

It comes as an intergovernmental report comparing crime around the industrialised world suggests governments' ability to curb crime is limited. The study, co-ordinated by the Dutch Justice Ministry, shows some sharp international differences.

Northern Ireland ranks as one of the industrial world's least crime-ridden areas, despite sectarian violence. Car theft seems to be some six times more prevalent in England, Italy, Australia, New Zealand, France and the US than in the Netherlands and West Germany. Robbery is most common in Spain, Poland, the US and Italy.

Other statistics indicate that ex-offenders with jobs are three times less likely to recommit crimes than those unemployed. EC ministries and training organisations are planning a working party to tap funds for ex-offenders' employment projects and monitor how different countries achieve solutions.

In the UK, roughly half of adult males convicted of offences commit another crime within two years – setting up a vicious circle in criminal behaviour. The so-called "recidivism" rate is thought to be similar in other EC countries.

The Commission is spending an initial Ecu1.5m ($1.8m) this year to finance various projects connected with rehabilitation. One aim of this week's meeting is to allow national agencies access to training funds from organisations and budgetary programmes elsewhere in the EC.

Already the Netherlands and Germany are co-operating on a cross-border programme for integrating ex-offenders, while a similar scheme involves Luxembourg and the UK.

World crime, Page 2

## Croatian attacks threaten peace talks

Continued from Page 1

Several units of the Yugoslav army were placed on alert.

Lord Owen expressed some understanding yesterday for the motives of the Croats in launching the attack and he did not think that President Tudjman wanted "to scupper" the Geneva conference. The Croats were clearly frustrated by the delays that had occurred in building a pontoon bridge to replace the destroyed Maslenica bridge. However, that was no excuse for taking the law into their own hands, he said.

George Graham adds from Washington: US president Bill Clinton is expected to hold a National Security Council meeting early this week to evaluate his administration's policy on former Yugoslavia.

Mr Clinton has made it clear that he believes something more must be done in Bosnia, and that "ethnic cleansing," in particular cannot be allowed to stand unchallenged by the international community. He is, however, reluctant to commit US ground troops to the region.

At the top of the agenda is the possibility of exempting Bosnia from the UN embargo on arms supplies to the region, to give the embattled Moslem government the opportunity to defend itself against the much better armed Serbian forces.

## Car dealer

Continued from Page 1

warnings and possible salary cuts if they break the ban.

"We check the car park three times a day to make sure that no unauthorised employees have driven in.

"If they break the rule once, they will be given a warning. If they break it again and again, they will be admonished and their salary may be cut," the manager said.

### World Weather

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Boulogne | F | 10 | 50 | Frankfurt | R | 11 | 52 | Majorca | S | 14 | 57 | Oporto | S | 9 | 48 | Tenerife | F | 19 | 66 |
| | | | | Brussels | F | 10 | 50 | Geneva | F | 12 | 54 | Malaga | S | 15 | 59 | Oslo | Sn | -1 | 30 | Tokyo | R | 4 | 39 |
| | | | | Budapest | C | 7 | 45 | Gibraltar | S | 15 | 59 | Malta | C | 15 | 59 | Paris | R | 12 | 54 | Toronto † | R | 4 | 39 |
| Ajaccio | S | 15 | 59 | Buenos Aires | F | 32 | 90 | Glasgow | C | 5 | 41 | Manila | F | 31 | 88 | Prague | C | 11 | 52 | Tunis | C | 14 | 57 |
| Algiers | S | 16 | 59 | Cairo | F | 17 | 63 | Helsinki | S | -6 | 21 | Melbourne | S | 25 | 77 | Reykjavik | Sn | -11 | 12 | Valencia | S | 19 | 66 |
| Amsterdam | F | 9 | 48 | Cape Town | F | 20 | 68 | Hong Kong | C | 12 | 54 | Mexico City | R | 20 | 68 | Rhodes | S | 16 | 61 | Venice | C | 4 | 39 |
| Athens | S | 17 | 63 | Caracas | F | 28 | 82 | Innsbruck | S | 19 | 66 | Miami † | S | 23 | 73 | Rio de Janeiro | C | 35 | 95 | Vienna | F | 16 | 61 |
| Bahrain | S | 15 | 59 | Casablanca † | S | 17 | 63 | Inverness | R | 3 | 37 | Milan | C | 7 | 45 | Rome | C | 12 | 54 | Warsaw | R | 10 | 50 |
| Bangkok | F | 33 | 91 | Chicago † | C | 1 | 34 | Islamabad | F | 20 | 68 | Montreal † | F | 1 | 34 | Salzburg | F | 15 | 59 | Washington † | S | 5 | 41 |
| Barcelona | S | 15 | 59 | Cologne | F | 11 | 52 | Istanbul | S | 10 | 50 | Moscow | Sn | -3 | 27 | S'Francisco † | S | 6 | 43 | Zurich | C | 11 | 52 |
| Beijing | S | 2 | 36 | Copenhagen | R | 7 | 45 | Jakarta | | | | Munich | F | 18 | 65 | Seoul | S | 8 | 46 | | | | |
| Beirut | S | 16 | 61 | Corfu | F | 13 | 55 | Johannesburg | F | 25 | 77 | Nairobi | | – | – | Singapore | F | 31 | 88 | | | | |
| Belfast | F | 4 | 39 | Dallas † | S | 3 | 37 | Lisbon | S | 10 | 50 | Naples | F | 18 | 65 | Stockholm | Sn | -1 | 30 | | | | |
| Belgrade | S | 12 | 54 | Dublin | F | 7 | 45 | London | F | 10 | 50 | Nassau | C | 22 | 72 | Strasbourg | C | 12 | 54 | | | | |
| Berlin | C | 11 | 52 | Dubrovnik | C | 11 | 52 | Los Angeles † | S | 12 | 54 | New Delhi | S | 18 | 64 | Sydney | S | 30 | 86 | | | | |
| Biarritz | F | 12 | 54 | Edinburgh | S | 6 | 43 | Luxembourg | R | 8 | 46 | New York † | S | 4 | 39 | Taipei | C | 17 | 63 | | | | |
| Bombay | S | 32 | 90 | Faro | S | 16 | 61 | Madeira | C | 17 | 63 | Nice | F | 12 | 54 | Tangier | S | 18 | 64 | | | | |
| Bordeaux | C | 11 | 52 | Florence | F | 9 | 48 | Madrid | S | 9 | 48 | Nicosia | S | 16 | 61 | Tel Aviv | F | 16 | 61 | | | | |

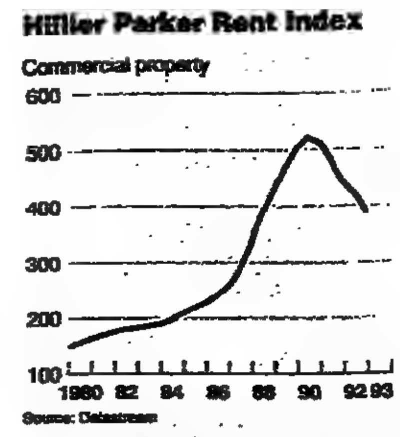
Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

# Coal not dole

Conveniently for the government, Friday's report from the mining engineers John T. Boyd gave structural support to the likely emergency exit route from the coal fiasco. While the general economic case for closure and selection of particular pits received backing, several pits could apparently be saved. Some 15m tonnes of additional domestic coal could be burned if no further gas-fired plant were ordered, no coal were imported and the electricity generators' coal stocks were not run down as quickly as planned. That might save around 12 pits, which, oddly enough, is about the number Boyd thinks could be made profitable if they were subsidised whilst working practices are changed.

By making clear that the coal is uneconomic, the report also removes risks from the generators and regional electricity companies. They can hardly be expected to bear the extra £200m cost. With the Treasury strapped for cash, the subsidy will have to come from consumers. Since public opposition forced the coal review, the government may be tempted to make the costs as obvious as possible through a direct levy. To avoid electricity bills rising, however, it might contrive to reduce the current nuclear levy without substantially damaging Nuclear Electric. Such an outcome would suit the generating companies, whose helpful attitude will have earned them political brownie points, lessening the risk of a Monopolies and Mergers Commission enquiry. The RECs, however, risk squandering political advantage if they continue to squabble about which of them should buy the extra coal-fired electricity.




### Rank Organisation

The decision by Xerox to move out of financial services raises questions about its joint venture with the Rank Organisation. Mr Paul Allaire, Xerox chairman, came from Rank Xerox, and is anxious to focus his company's business on its traditional document processing strength. He would have a natural interest in buying out his UK partner in Rank Xerox. As for Rank, this would be one way of reducing its £999m debt without affecting the strategic direction of its managed businesses.

If Rank's share price has risen only modestly, it must be because the market is aware of the formidable obstacles to such a convenient arrangement. Xerox is carrying around $2.5bn of debt. Until it has disposed of its financial services businesses, it could not afford the price, probably in excess of £1bn, the Rank Xerox stake would command. So far it has announced little more than a statement of intent. The whole process may take a couple of years. Rank needs to make inroads into its debt rather sooner.

But the transfer of the stake does not need to take place all at once. Perhaps the two companies should consider a piece-meal approach. Xerox could either absorb parts of Rank Xerox business with Rank receiving a special dividend in return. Or the stake could be transferred in more formal tranches. Either approach would reassure investors worried that Rank's debt will fall only slowly when trading profits start to improve. Were Xerox to express an interest, Rank would not need the non-refundable deposit it has promised to exact from the consortium that has been threatening to bid for its film and television interests.

### Hafnia

The orderly queue of bidders forming for the various bits of Hafnia is not as surprising as it looks. With group debt parked in the holding company, the core Danish insurance operations look attractive. The disaster which befell Hafnia had more to do with misguided corporate ambition than the ability of Denmark's second largest insurer to make a decent return on underwriting and investing. Even allowing that some business will have been lost since the shares were suspended, the buyer should acquire a decent market position.

The business should be worth more to a domestic competitor, who could use the scope for rationalisation and synergies. On that basis Codan – in which Sun Alliance has a majority stake – looks the most logical buyer. Skandia might equally be prepared to pay a premium for the chance to repatriate the 15 per cent slice of its share capital held by Hafnia. Potentially interested parties from outside Scandinavia, such as Allianz, are hardly short of capital. But the most likely candidates are still digesting prey from the last round of acquisitions.

It is less clear where a buyer for Hafnia's 34 per cent stake in Baltica Holding might come from. Like Hafnia, the basic insurance business is sound enough. But the holding company bears the scars of ill-fated ventures in property and banking. Having seen the shares fall by some 80 per cent in the last two years, Suez might just be tempted to add to its 23 per cent stake and take control on the cheap. But that looks too tidy a solution for Hafnia's creditors to hope for.

### UK property

Mr Robin Leigh-Pemberton's days as governor of the Bank of England may be drawing to a close. But, judging by his musings on the reform of commercial property leases last week, he is using them to provoke uncharacteristic controversy. By criticising "inflationary" upwards-only rent reviews, he questioned one of the property sector's most cherished practices. He was right to do so. The UK's antiquated terms for commercial leases desperately need reforming. But it would be unwise to neglect the risks involved in over-hasty action.

As property developers never tire of pointing out, investors in bricks and mortar are primarily interested in security of income. Any reforms that lessen that security will have to be paid for in higher rents. That in itself would be inflationary. But lesser security would also discourage further property development. That is hardly a problem at present, but it too would be likely to stoke inflationary fires in an economic upswing when demand outstrips supply.

The market itself seems to be working towards a half-way house. Twenty-five year leases with frequent break clauses for tenants are becoming common. These allow rents to be periodically reset to prevailing market prices. Tenants have greater flexibility, landlords some certainty of long term-term income. If the market could also develop greater transparency in setting rents, this might help flatten destructive cyclical swings.



هكذا من الأصل

FINANCIAL TIMES
# COMPANIES & MARKETS
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## INSIDE

### Italians recruit Japanese steel man

Ilva, the heavily loss-making Italian state steel group, has appointed Mr Hayao Nakamura, a Nippon Steel executive, as its new managing director. The appointment of a foreigner to such a senior public-sector post is unprecedented in Italy. It reflects *the deep difficulties* in which Ilva now finds itself. **Page 17**

### UK housebuilder upgraded

Barratt Developments, Britain's third largest housebuilder, has become the first company in the construction sector to have its ratings raised by IBCA, the credit rating agency. The agency noted that under the chairmanship of its founder, Sir Lawrie Barratt (left), who was brought out of retirement to rescue Barratt, the group had returned to "a stronger financial position with debt significantly reduced at year-end and a return to a small pre-tax profit in the UK". **Page 16**

### Peugeot seeks market share

Peugeot aims to increase its share of the European market this year, after losing ground in France in 1992, Mr Jacques Calvet, president, said. He said his company would this year have the new models to launch under both its Peugeot and Citroën brands that it lacked last year, and that its share of the west European car market should rise to about 13 per cent from the 12.2 per cent of last year. **Page 17**

### Prospective p/e ratio

The latest prospective p/e ratio for the "500" index for calendar 1993 is 13.7 (Last week: 13.7). This compares with an estimated p/e for the "500" of 16.5 (16.6) for calendar 1992, calculated by IBES, based in New York. The official FT calculation of the historic p/e, based on the latest reported earnings, is 17.36 (17.33).

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# JCI may bid for 29.9% of Johnson Matthey

By Norma Cohen, Investments Correspondent

JOHANNESBURG Consolidated Investments, the South African mining company, has emerged as a bidder for up to 29.9 per cent of Johnson Matthey, the precious metals group, held by Charter Consolidated, the UK industrial conglomerate.

Charter, which is advised by the merchant bank Hambros, is trying to sell 38.4 per cent of Johnson Matthey in total.

The South African conglomerate, which is 40 per cent owned by Anglo-American, the South African holding company, and 8 per cent by the De Beers group, is a holding company whose assets include a 32.6 per cent stake in Rustenberg, the world's biggest *platinum producer, with whom Johnson* Matthey has a joint venture.

Rustenberg was ruled out as a potential purchaser because of likely anti-trust regulatory concerns which would follow from its increased control of the world's platinum supply.

Industry analysts note that the purchase of the stake by JCI has commercial logic for both parties.

JCI already markets its platinum through Johnson Matthey.

Meanwhile, Johnson Matthey's shares rose last week on speculation that Charter has been approached by a company *seeking to purchase its entire 38.4* per cent block of Johnson Matthey shares.

Any such purchaser would be required to bid for all of Johnson Matthey under UK Takeover Panel rules.

Sources familiar with the talks said that at least one other potential purchaser of Charter's Johnson Matthey shares has emerged, but would not say if that buyer is seeking the entire block or the 8.5 per cent portion which JCI does not intend to purchase.

A sale of a 29.9 per cent stake to JCI is thought to be acceptable to Johnson Matthey because JCI is believed to have *indicated it has* no intention of bidding for the entire company.

Johnson Matthey's management is reported to be determined to remain independent.

Meanwhile, analysts believe that Charter may use proceeds of the Johnson Matthey sale to repurchase the 36 per cent stake in itself currently held by Minorco, the European-based investment arm of Anglo-American.

Anglo-American's stake in Charter reflected its desire to hold an investment in the platinum industry. Without the Johnson Matthey stake, Charter no longer *has* exposure *to that* sector and Anglo-American may be prepared to sever its links with Charter if a price can be agreed for the Minorco shares.

If it does not repurchase its own shares, analysts said that Charter would be under pressure to distribute proceeds of the sale to shareholders as a special dividend.

**Martin Dickson and Nikki Tait** analyse a series of disposals stemming from heavy losses

# US groups burn their fingers in financial services

A quiet but significant shake-up is taking place in some of the less glamorous reaches of the US financial services industry as some of America's top industrial companies withdraw from the area, often with fingers burnt.

The latest example is Xerox, the document processing group, which this week announced plans to shed its remaining insurance and financial services businesses, with a fourth-quarter after-tax charge of $778m to pay for it.

Businesses on the block include Furman Selz, a New York brokerage house, Crum and Forster, a property-casualty operation; and Xerox Life, a life insurance and annuity business.

Xerox is not alone. Weyerhaeuser, the forest products group, is selling its wholesale annuity and mutual funds business to GE Capital, the financial services arm of the General Electric group. Kodak has announced plans to sell its equipment leasing business – also to GE Capital – while Westinghouse Electric says it will quit financial services.

The biggest sale of all involves Sears Roebuck, the retailer, which is spinning off much of its financial services arm, including a minority stake in Allstate, one of the largest property-casualty operations in the US.

Several factors lie behind the disposals. The most dramatic is poor management. Amid the booming financial services markets of the 1980s, numerous industrial companies expanded into the area, often as a by-product of their core business.

But some got out of their depth and were ill-prepared for the downturn in the business cycle in the late 1980s. Westinghouse, for example, ended up investing in the most speculative type of cheap hotel property. Such companies are now having to withdraw from financial services to stop the sector casting a permanent pall over the entire group. Others are cutting back.

Kodak and Weyerhaeuser are both in the throes of restructurings. Sears has faced shareholder agitation over the poor performance of its merchandise operations.

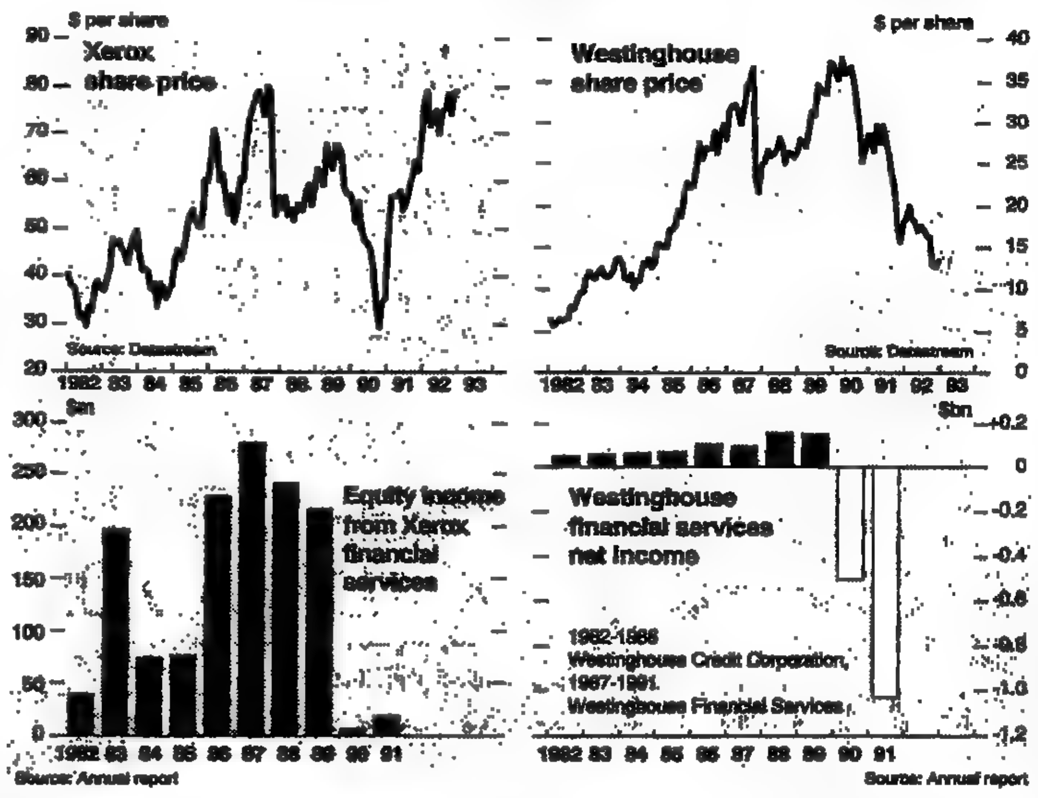
Chrysler, the car group, which sold its consumer finance subsidiary last November, has a very stretched balance sheet. So too does McDonnell Douglas, the aerospace group which has been trimming down its finance operations.

But ITT, the conglomerate which this week announced a pre-tax charge of nearly $1bn to restructure its finance arm, including heavy expected losses in unsecured consumer loans, is in a different position. Since finance and insurance now provide more than 50 per cent of its earnings, it has no plan to withdraw from these areas but instead wants to refocus on more profitable areas of growth.

The buyers of the cast-offs are an equally mixed bunch. They include banks, finance houses and leveraged buy-outs involving managements of the businesses concerned.

One of the most active is GE Capital. Like many of the operations being sold, it originated as an adjunct to GE's industrial businesses but took off in the 1980s with rapid growth in its own right.

Unlike some rivals, its profits growth has remained strong enabling it now to cherry-pick assets from distressed sellers.




The US insurance industry also accounts for part of the turnover in financial services operations. Its travails fall into two categories.

For life companies, difficulties have arisen principally on the investment side. At end-September, the life industry overall held about 18.4 per cent of assets – some $300bn – in property or mortgage loans. It needs to bolster reserves against falling property values and/or delinquent loans.

By contrast, the property-casualty industry has faced an appalling year for catastrophic events. The New York-based Insurance Services Office, including a probably outdated figure of $10.7bn for Hurricane Andrew, calculates total catastrophe losses in 1992 reached $18.2bn.

These problems follow some well-publicised insurance company failures – like that of Executive Life in Los Angeles.

The bottom line is that many insurance operations are being pressed to strengthen their balance sheets – making them less attractive as peripheral holdings to non-insurance parent companies, and prompting the sale of non-core businesses, often in the financial services sector, by insurers themselves.

On the latter score, Travelers, the Hartford-based composite is probably the most striking example. It has sold Dillon Read, its investment banking subsidiary, Keystone, a mutual fund business, and Travelers Mortgage Services, a home loans operation, to raise capital.

The situation at Aetna has been broadly similar – with 43 per cent of La Estrella, the Spanish insurer, sold to Banco Hispano Americano for $100m, and the $1.21bn sale of its American Reinsurance subsidiary to Kohlberg, Kravis Roberts, the buy-out specialists, for $1.4bn.

In the other direction, the Hurricane Andrew losses faced by Allstate – more than $1bn – almost certainly compounded the pressures for capital within Sears, Roebuck. This obliged the company to choose between funding the required overhaul of its retail business and expanding the financial services division.

Transamerica, the San Francisco-based financial services group, also cited conflicting demands on capital as the reason behind its decision to dispose of its property-casualty operations.

"We face demands for increased capital to support growth in many of our businesses," said Mr Frank Herringer, chief executive. In view of this "we have elected to focus our resources on our life insurance and finance businesses".

# O&Y set to confront unsecured creditors

By Bernard Simon in Toronto

OLYMPIA & York is heading for a confrontation with a key group of unsecured creditors in Toronto this afternoon. The outcome could determine whether the ailing property developer can emerge from the court protection which it sought last May.

According to lawyers for the lenders, O&Y refused to agree during last-minute negotiations on Friday to at least one demand by the creditors for changes to its restructuring plan.

By the end of last week, 22 out of 35 creditor groups had accepted O&Y's proposals, while eight rejected them. All five remaining meetings are due to reconvene today after earlier adjournments. The plan covers about C$8.5bn ($6.64bn) of O&Y's C$13.5bn debt.

The groups which have so far turned down O&Y's proposals are not expected to imperil the plan as a whole.

But approval by the unsecured group, consisting mainly of North American, European and Japanese banks, is crucial to the restructuring effort. Unlike most of the lenders, whose claims are against specific O&Y assets, the unsecured creditors have claims totalling about C$4bn against the parent company, Olympia & York Developments.

The key remaining sticking point is understood to be O&Y's demand that creditors grant every member of the Reichmann family, which owns O&Y, a sweeping release from future legal claims. According to an O&Y information circular posted to creditors last month, disputes or litigation later on "would defeat the intent of the plan". The lenders have so far insisted that the releases should be limited to specific transactions.

# A single bullet can't kill Brazil's inflationary tiger

## Economics Notebook

By Stephen Fidler, Latin America Editor

IN the war against inflation in Brazil, a minor battle was won last week. Agreement by a special session of Congress over a new tax on financial transactions is forecast to raise $7.2bn to help plug the government's widening budget deficit.

Yet, although helpful, the move will do little to address Brazil's long-term inflation problem. That will require a shake-up of the government. That only appears possible when the 1988 constitution comes up for review by Congress next September.

Inflation in Brazil has been above 20 per cent for 14 months now. The country has suffered triple-digit annual inflation for 10 years; last year it stood at 1,149 per cent.

Brazil's inflation contrasts with the rest of Latin America. In the region as a whole excluding Brazil, average inflation was 21 per cent last year against 1,203 per cent in 1989.

Insights about why inflation in Brazil is so tenacious are contained in a working paper from the World Bank's policy research department* which covers recent hyperinflation in Argentina, Peru and Brazil.

It cites evidence that high inflation degenerated into hyperinflation in these three countries in the late 1980s not because their chronic budget deficits somehow got sharply worse. Neither did hyperinflation – at least in Argentina and Brazil – take off without any prior surge in money supply as one would expect from examining the "classic" hyperinflations of Poland, Austria and Germany in the 1920s and of Bolivia in the early 1980s.

Instead, hyperinflation was the culmination of a variety of factors: worsening fiscal accounts, a growing tendency to accept high inflation, and increased financial fragility. This was complicated by limited access to external finance because of the debt crisis, weak monetary and fiscal control and the limited availability of non-inflationary domestic financing to the government.

Financial fragility stemmed from the impact over time of high inflation on the willingness to hold money. In Brazil, M1 dropped from 14 per cent of gross domestic product in 1970 to just 3 per cent in the late 1980s. That meant, for example, that if the central bank had printed money to offset a shortfall of taxes of 3 per cent of GDP in the late 1980s, it would have doubled money supply. The authors conclude hyperinflation came about because of recurrent failed stabilisation attempts which created instability in the rate of change of inflation.

Furthermore, after the "new" hyperinflations, "restoring price stability has been longer and more costly than in the classical cases". This was because it was not clear in the public mind where inflation would settle once hyperinflation had stopped, experience showing that it fell back to the high levels prevailing before hyperinflation. The battle to beat inflation thus had to continue for longer.

Hyperinflations themselves must come to an end because they are unsustainable. Government revenues collapse, production and most commerce stop. They can usually be brought down through an orthodox economic programme which indicates a "change of regime" – a strong indication to the public that the factors creating hyperinflation had ceased to exist.

However, in high inflation economies it was much more difficult to demonstrate that a change of regime had taken place sufficient to bring price stability.

In Argentina, two stabilisation programmes – the Austral plan in 1985 and the Primavera plan in 1988 – had initial success in bringing down inflation. But by mid-1989, inflation was approaching 200 per cent a month. The so-called Bunge & Born plan ended it, but inflation persisted at about 5 per cent monthly. A new price explosion in December 1989 prompted the Bonex plan, aimed at reducing the government's domestic debt.

A further plan was required in April 1991, which along with subsequent supportive measures has succeeded in pushing price increases down much closer to international levels.

The plan, named after the economy minister Domingo Cavallo, fixed by law the exchange rate to the dollar and instituted a fiscal reform that went further than anything previously announced. The central bank was forbidden by law to print money, except when backed by hard currency reserves.

The fiscal adjustment was reinforced over time with privatisations, rationalisation of public spending and better enforcement of tax collection.

The lesson here, say the authors, is that stabilisation efforts – macroeconomic reforms to bring the budget into line – and structural reforms – aimed at improving the allocation of resources within the economy – strongly complement one another. Together, they send "a stronger signal regarding the direction in which the economy is moving," say the authors.

There are useful lessons in this for Peru and Brazil, the authors say. In Brazil, they argue that the second inflationary shock plan in January 1991 of the government of President Fernando Collor – who promised to slay the inflationary tiger with a single bullet – sent just the kind of mixed signals that Argentina has managed to avoid.

The orthodox message of deepening the fiscal adjustment by dealing with the finances and debt overhang of the state and local governments was compromised by accompanying wage and price controls (which had failed in the past) and by moves to regulate financial markets.

The authors have not had time to address the new policies of President Itamar Franco who took over the presidency from the deposed Mr Collor last month. Yet already conflicting signals are being sent. True Mr Franco has his tax changes, which may help him in his talks over the next few months the International Monetary Fund, but he is also talking about expanding spending in other areas. The message being sent so far is equivocal to say the least. Expectations that inflation will drop rapidly therefore seem set to be disappointed.

**Stopping Three Big Inflations (Argentina, Brazil, and Peru) by Miguel Kiguel and Nissan Liviatan. Working paper. World Bank 1818 H Street NW, Washington DC 20433. 52pp Free.*

# Westpac recruits executive from US

By Kevin Brown in Sydney

WESTPAC, the troubled Australian bank, yesterday appointed a US banker as chief executive, with a brief to restore the bank to health by cutting costs and reducing risk-bearing assets.

Mr John Uhrig, chairman, said Mr Robert Joss, 51, a vice-chairman of Wells Fargo, the Californian investment bank, would take over as managing director next month.

He replaces Mr Frank Conroy, who resigned last month after resisting pressure from leading shareholders to speed up a restructuring programme announced in November.

Mr Joss was one of two candidates shortlisted by Westpac. Mr Lindsay Pyne, the former managing director of the Bank of New Zealand, was favoured by some executives because of his knowledge of Australian banking.

Mr Joss said he wanted Westpac to concentrate on its retail business, which has suffered significant losses as a result of corporate bad debts and falling property values.

"I think one of the problems with Westpac is that it had lost its focus for a while, and I will be aiming to sharpen everyone's view and help build morale," he said.

The bank's problems climaxed in November when it announced a record loss of A$1.5bn ($1.03bn) for the year, after bad debts of A$2.6bn and an unexpected US tax liability of A$106m. Five directors, including the then chairman, resigned after a A$1.2bn rights issue was largely ignored by shareholders.

# Better return from small companies

By Norma Cohen, Investments Correspondent

INVESTMENTS in small companies are likely to outperform those in their larger counterparts, according to two new surveys.

According to stockbrokers Hoare Govett, who compile the Hoare Govett Smaller Companies Index, prices are expected to rise by 20 per cent in the coming year, outperforming the anticipated rise in the FTSE index of only 12.4 per cent.

Meanwhile, accountants Stoy Hayward, who compile their own Private Company Price Index – which largely consists of smaller companies – found that prices paid to acquire smaller companies rose steadily relative to earnings during 1992, a trend expected to continue into 1993.

The average price paid for a private company in the UK was 9.5 times earnings in the fourth quarter last year, against 8.3 times in the comparative period of 1991.

At the end of 1992, the Private Company Index stood at a 43 per cent discount to price/earnings ratio of the FT 500 – the widest level in recent years – highlighting the differences in sentiment between investors in leading quoted companies and those in the smaller company sector.

Mr Rick Sopher, corporate finance partner at Stoy Hayward, said current price anomalies make it very attractive for small private companies to be acquired by quoted ones. Institutional shareholders, however, have been unwilling to support the acquisition ambitions of smaller quoted companies, so they are losing out on the chance to bolster earnings through relatively low-cost acquisitions.

Meanwhile, research from Hoare Govett shows that the smaller companies sector in December 1992 turned in the best performance since June 1987. The Small Companies Index has risen by 28 per cent since last September's Black Wednesday, well ahead of the 16 per cent rise in the FTSE 100.

Since the beginning of September, the FTSE has fallen 1.5 per cent while the HGSCI has risen 14.3 per cent.

# 'Stronger' Barratt has rating upgraded

By Paul Taylor

BARRATT Developments, Britain's third largest housebuilder, has become the first company in the construction sector to have its ratings raised by IBCA, the credit rating agency.

The agency said it had lifted Barratt's long term rating to BB- from B, and its short term rating from C to B. Despite the change Barratt's rating remains at speculative grade since BBB- is the lowest investment grade rating.

IBCA noted that trading in the current year remained very difficult despite favourable moves in interest rates and more affordable house prices.

However the agency noted that under the chairmanship of its founder, Sir Lawrie Barratt, who was brought out of retirement to rescue Barratt, the group had returned to "a stronger financial position with debt significantly reduced at year-end and a return to a small pre-tax profit in the UK, despite continuing difficulties in the Canadian market."

The agency also noted that problems in the housebuilding and property sectors in the past three years had been a significant contributor to the steady downward trend in the debt ratings of both banks and building societies. But it also pointed out that there were "some recent indications from estate agents that the residential housing market has started to improve.

# Shute buys 4.9% stake in Anglia Secure for £72,000

By Jane Fuller

MR ROGER SHUTE, the convalescent ex-chairman of BM Group, the industrial concern, has taken a stake in a second quoted company. His interest again sparked a sharp increase in the target's share price.

Anglia Secure Homes, which builds and manages sheltered housing for the elderly, saw its price rise from 4½p to 7½p after it disclosed that Mr Shute had acquired a 4.9 per cent interest – 1.6m shares costing £72,000.

This followed the news that he had taken a similar stake in GM Firth, the steel company, and there is talk of him joining its board as a non-executive.

In Anglia's case, Mr Shute's interest seems to be speculative. He said the management was strong and aggressive and he might be seen as a passive investor in an industry that "is just about to come out of the bottom of the cycle".

Anglia lost £5.08m in the six months to March last year and Mr James Bryant, finance director, said losses had continued in the second half.

At the interim stage net borrowings remained almost three times shareholders' funds of £10.8m. Mr Bryant said the group had 250 unsold homes, but on the other hand, its management subsidiary had performed well. Its bankers remained "understanding".

Mr Shute's return to the quoted company scene follows six months of convalescence from lung disease. He remains president of BM, which he founded, until July, when the post will be reviewed. He said his paper losses on BM shares ran to about £3m.

# Chief executive resigns at Harrison Inds

By Matthew Curtin

Mr Barry Giddings has resigned as chief executive of Harrison Industries, the debt-laden doors and castings supplier, after a boardroom wrangle over the group's consolidation or expansion as it struggles to return to profitability.

Harrison announced that Mr Giddings had left "due to a difference of opinion over the future strategy of the group", adding "the company retains the full support of its bankers and advisers", namely the Bank of Scotland, Hambros Bank and house brokers Williams de Broe.

Mr Giddings took control of Harrison in December 1991 in a £14m reverse take-over. At the time he said he would expand the group's industrial interests by moving into environmental security and general engineering; plans he pursued.

# Merlin Green asking for split capital status

By Philip Coggan, Personal Finance Editor

MERLIN International Green Investment Trust is proposing a restructuring in an attempt to eliminate the discount to net assets at which its shares trade.

Under the proposals Merlin will become a split capital trust, with new classes of zero coupon preference and ordinary shares, and a wind-up date of 2001. The hope is that investors will be attracted by the tax advantages of the new shares and this, combined with the prospect of a wind-up date when assets will be repaid, will eliminate the discount.

Its shares traded at an average 23 per cent discount last year; many split trusts trade at a premium to net assets.

The zeros will pay no income but will have first claim on the assets, and offer the prospect of capital gain. Based on an illustrative initial value of 57.5p and redemption value of 112.3p, gross redemption yield will be 8.6 per cent.

Ordinary shares will receive all the income but will only be repaid after the zeros have been met in full. They are, therefore, a highly-geared investment. The expected initial dividend yield will be 11.3 per cent gross.

Existing shareholders will be offered units on a one-for-one basis; each unit will comprise one zero and new ordinary share. Terms of the existing warrants will be changed so that warrant holders will be entitled to subscribe for one unit at 100p.

The proposals will need the 75 per cent approval of shareholders and warrant holders at a meeting on February 16; Merlin already has support from 46.6 per cent of the shares and 20.7 per cent of the warrants.

# Arthur Shaw board battle goes to court

By Paul Taylor

The battle for control of Arthur Shaw, the loss-making West Midlands building materials group quoted on the USM, has moved into the courts.

Mr Gordon Pearson, chairman, told his board that he obtained a High Court injunction in Birmingham preventing two former directors, Mr Donald Crammond and Mr Ian Tickler, the ex-chairman, from being re-appointed.

Rebel shareholders have called for an extraordinary meeting to remove Mr Pearson and replace him with Mr Tickler. They also want Mr Crammond, who was ousted last August, re-appointed. Shareholders representing 49 per cent of the equity are said to be supporting the move.

Mr Tickler and his family, which founded Shaw, own 13.4 per cent of the equity while Mr Pearson holds 15 per cent.

# Two more Lilley businesses sold

RECEIVERS to Lilley, the Glasgow-based contracting and construction group, sold two businesses to a management buy-out team over the weekend.

Cowcaddens-based MDW and Meadowline Services were sold to a team led by Mr Bill Shearer, the managing director, and financed by the Bank of Scotland, 3i and Scottish Enterprise.

Negotiations on the buy-out were completed within a week and the move will safeguard the jobs of the 265-strong workforce.

Price Waterhouse, the receivers, also confirmed that a number of large contracts within Lilley's Scottish-based National Contracting Division have been sold to Amec, the construction group.

Last week the receivers also sold the business and most of the contract assets of Hatfield Construction to TA Bickerton, an independent builder based in St Albans, Hertfordshire.

Bickerton is owned by Mr Ken Wilkins, who founded Hatfield Construction and sold it three years ago to Lilley, which wanted to complement its network in the south of England. Mr Wilkins said Hatfield had always remained profitable and would now be restructured as a wholly-owned subsidiary of Bickerton.

**CROSS BORDER M&A DEALS**

| BIDDER/INVESTOR | TARGET | SECTOR | VALUE | COMMENT |
|---|---|---|---|---|
| British Aerospace (UK)/ Taiwan Aerospace Corp (Taiwan) | Avro International Aerospace (JV) | Aircraft manufacture | £240M | Proceeds to cut BA debt |
| British Airways (UK) | USAir (US) | Airlines | £196m | New 19.9% deal approved |
| Aerovias de Mexico (Mexico) | Aeroperu (Peru) | Airlines | £35m | Contested privatisation deal |
| Foster's Brewing (Australia)/Wilson Neill (N Zealand) | Joint Venture | Brewing | £12m | JV buying Cascade brewery |
| Parmalat (Italy) | Fejertej (Hungary) | Food | £4.6m | Privatisation deal |
| James Crean (Ireland) | Valley Fresh Foods (US) | Food | £3.6m | Buying outstanding 50% |
| Coats Viyella (UK) | Youghal Carpets (Ireland) | Carpets | £2.7m | Offer for outstanding stake |
| Inchcape (UK) | Revasa (Italy) | Insurance broking | £1.7m | Lifting stake to 49% |
| Unilever (UK/ Netherlands)/BSN France | Joint Venture | Food | n/a | Global iced snacks jv |
| ICI (UK)/BASF (Germany) | Asset swap | Petrochemicals | n/a | Industry restructuring goes on |

# AITC will admit offshore closed-end funds

By Norma Cohen, Investments Correspondent

THE ASSOCIATION of Investment Trust Companies, the industry trade association, said it will admit as members offshore closed-end funds and is seeking tax changes to make them more attractive to investors.

The rule change will allow 15 to 20 new firms to join immediately, increasing the AITC membership from its current level of 231 members.

Many of these are single country funds which allow investors access to foreign stock markets which they would have difficulty accessing. Also, some of the funds are investing in bonds which UK investment trusts are currently barred from holding in significant quantities.

The AITC said it had barred the firms – which are an increasingly significant portion of the investment trusts with London Stock Exchange listings – because the UK definition of a closed-end investment company is particularly narrow and stops companies from ever repurchasing their own shares.

An increasing number of closed-end companies are being established offshore for fiscal or regulatory reasons and many do not entirely meet the UK definition, the AITC said.

To be eligible for AITC membership, a company must have a London listing, must be marketable in the UK and will regard EC citizens as a "substantial part" of their natural shareholders, the trade organisation said.

Among the tax changes sought by the AITC on behalf of closed-end funds are an end to the distinction in the way capital gains on stocks and bonds held in investment trusts are taxed. While the capital gains on equities are untaxed, the capital gains on bonds are taxed.

The AITC is also calling for the gains earned on futures, options and warrants held by investment trust to be treated as capital gains and therefore, untaxed.

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# Ilva names Nakamura managing director

By Haig Simonian in Milan

ILVA, the heavily loss-making Italian state steel group, has appointed Mr Hayao Nakamura, a Nippon Steel executive, as its new managing director following Friday's resignation of Mr Giovanni Gambardella.

The appointment of a foreigner to such a senior public-sector post is unprecedented in Italy. It reflects the deep difficulties in which Ilva, which lost L1,750bn ($1.1bn) in the first eleven months of 1992, now finds itself.

In 1991, Ilva reported a loss before minority interests of L498bn, after putting aside L411bn in extraordinary gains in a special restructuring fund.

Mr Nakamura, currently the representative in Italy of Nippon Steel, is one of just a handful of Japanese executives with a close knowledge of the Italian market, especially the state sector. He was closely involved in the mid-1970s in the extension of the Taranto integrated steel plant, Italy's biggest, and also worked with Ilva on its Novi Ligure rolled coils facility.

One of his first tasks will be to prepare a restructuring plan for the group, which has been devastated by the fall in European steel prices and extremely heavy debts, believed to have reached L8,300bn last year.

Last November, IRI, the state holding company which controls Ilva, called on its management to propose a new restructuring plan by mid-1993. The surprise resignation of Mr Gambardella and other senior board members, coming just a day before IRI examined Ilva's 1992 accounts, may have been linked to the fact that its financial performance was found to have deteriorated beyond even the worse expectations.

Ilva's new management have only limited room for manoeuvre. After embarking on a highly aggressive expansion drive under Mr Gambardella in the late 1980s, Ilva, which rose from the ashes of the loss-making Finsider state steel group, was forced to trim its sails in the face of high debts and increasingly difficult market conditions.

# DAF plan for recovery endorsed

By John Griffiths

TWO management consultancies are understood to have endorsed the main elements of a recovery plan drawn up by DAF, the beleaguered Dutch truck maker, opening the way for substantial extra financial aid backed by the Dutch and Belgian governments.

Following a meeting of DAF's supervisory board at the weekend, the company's 13,000 employees in the Netherlands, Belgium and at its Leyland DAF truck and van-making subsidiary in the UK are expected to be told tomorrow how they will be affected by further cost-cutting and job losses.

At the same time, DAF is expected to indicate what progress it is making to secure further financing in talks with its banks and the Dutch and Belgium governments. These could lead to any of the parties taking or expanding equity stakes. Leading shareholders include ABN-AMRO Bank with 8.2 per cent and the Dutch insurance groups ING and Aegon with 10.6 per cent and 6.4 per cent respectively.

In spite of industry rumours that DAF is considering plant closures, the immediate measures are understood to concentrate on further squeezing costs. DAF has cut its work force by 4,000 people since the end of 1989, and had intended to reduce this to under 12,000 people by the end of this year even before the latest recovery plan.

The hope is that further belt-tightening, combined with fresh finance, will allow DAF to survive until it can be bailed out by recovery in European, and particularly UK, commercial vehicle markets. It expects this to emerge in the second half of this year.

Tomorrow is unlikely to resolve the uncertainty surrounding the company's plans to invest about £250m ($375m) in a successor to the Leyland DAF vans built by 2,000 employees at the former Freight Rover van plant in Birmingham.

DAF, in which British Aerospace holds a 10.9 per cent stake, is under strong pressure from Renault, its partner in the project, to make a firm manufacturing commitment. But DAF's financial crisis, following three years of heavy losses, has led Renault to make contingency plans against DAF withdrawing.

Mr Koos Andriessen, the Dutch minister of economic affairs, has indicated his willingness to try to arrange up to "several hundred millions of guilders" of additional help for DAF from the banks and Dutch and Belgian governments.

Belgium's Flemish regional government is willing to provide extra help now that the reports from the two consultancies, Arthur D. Little and Coopers & Lybrand Dijker Van Dien, are known to be sympathetic to DAF's plans.

Such funding would be additional to the Fl 190m ($110m) in state-backed loans DAF secured in December but which it quickly acknowledged would not be enough in the face of a bigger-than-expected net loss for 1992-93.

This is now expected to be higher than the Fl 100m net loss forecast at last year's half-way stage, particularly as some provision for tomorrow's cuts will have to be included. Cumulative losses exceed Fl 700m.

# Bronfman empire in fresh crisis

By Bernard Simon in Toronto

NERVOUSNESS over the future of Royal Trust, Canada's second biggest trust company, has ignited another crisis of confidence in the business empire controlled by the Toronto branch of the Bronfman family.

Share prices of companies in the Bronfman orbit, especially those related to Royal Trust, have tumbled to their lowest levels in at least a year, following RT's announcement that it was seeking an equity injection from an outside investor, preferably a large financial institution.

RT's shares closed at C$2.11 on the Toronto Stock Exchange last Friday, a 31 per cent drop over two days.

RT traded at almost C$30 in 1989.

Among Bronfman holding companies, Edper slumped by 32 per cent last Thursday and Friday to C$2.25. Hees International, the group's merchant banking arm, was down 11 per cent to C$6.88, while Trilon Financial, which has a 44 per cent interest in Royal Trust, slipped 25 per cent to C$3.15.

A Bronfman spokesman described the sell-off as an inevitable reaction to the troubles at RT and at Bramalea, a Bronfman-controlled property developer which filed for bankruptcy protection last month.

However, he said that other parts of the group, which included natural resource, life insurance and consumer products companies, were "very healthy", with healthy lines of credit.

RT's business consists mainly of mortgage lending, fiduciary services and a variety of banking functions. It has taken several writedowns on its UK and North American assets over the past three years and is expected to set aside a further large amount from fourth-quarter 1992 earnings. It suffered a nine-month loss of C$227m (US$189m).

Analysts said investors were uncertain whether a buyer would willingly step forward for RT. Royal Bank of Canada, the country's largest financial institution, is among those in discussions with the Bronfman group. Trilon has said that it would contribute C$100m in new equity.

# Benetton may float clothing arm

By Haig Simonian

BENETTON, the Italian clothing group, may float its new Sportsystem sports goods and clothing arm on to the stock market. It could happen within the next two to three years, according to Mr Silvano Storer, a senior group executive.

The company, which had sales of $608m last year, expects to be one of the world's top sports equipment groups by 1995, when sales should reach $1bn. At present the sports goods market is dominated by Nike, Reebok, Adidas and Mizuno of Japan.

Benetton has identified sports as the next big growth area in retailing. "Sports today are a keystone to leisure time activities and will continue to gain greater importance in everyone's life", said Mr Gilberto Benetton, chairman of Benetton Sportsystem.

The forecast came as Benetton displayed together for the first time the 10 brands acquired over the past three years.

The subsidiaries, assembled under the new Benetton Sportsystem holding company, include Nordica ski boots, Prince tennis racquets and Rollerblade in-line roller skates.

Sales for the group, which has now achieved its first aim of building up a portfolio of leading sports brands, would exceed $700m this year, said Mr Storer.

The range covers winter and summer sports, but is still under-represented in footwear and clothing, two activities being developed internally.

A flotation could allow the company, owned by Edizione Holding, the Benetton family's ultimate holding company, to copy the success of Benetton, which has around 20 per cent of its shares listed.

The proceeds from a quotation would be used to repay debt.

The remainder could be channelled into further purchases, or, possibly, a retail sports goods chain akin to that of Benetton in clothing.

# McDonnell Douglas to axe jobs

By Patrick Harverson in New York

MCDONNELL Douglas, the US aerospace and defence group headed by chairman Mr John McDonnell, has announced plans to cut 4,000 jobs from its workforce because of slowing demand for commercial jet aircraft.

The job cuts, which will be achieved through attrition and lay-offs, will all come at Douglas Aircraft, the group's commercial aircraft manufacturing unit based in Long Beach, California.

Mr John Thom, a spokesman for McDonnell Douglas, explained: "We'll be building fewer aircraft, so we'll need fewer people." The cuts will leave the commercial aircraft division with a total workforce of about 15,000 people.

John McDonnell: chairman

The measures are being taken because of depressed orders from the airline industry. The drop in demand has forced the company this year to reduce planned production of its MD-80 aircraft by about half and production of its MD-11 jet by almost a third.

The job and production cuts will not affect McDonnell Douglas's military aircraft division, which was split from the commercial aircraft business in a restructuring last year.

The announcement of the latest job cuts came the day after McDonnell Douglas reported a sharp drop in 1992 profits.

However, the company, was upbeat last week about the long-term outlook for earnings, predicting that the C-17 military transport aircraft would become profitable this year, that its wide-body MD-11 jetliner would generate a positive cash-flow, that margins on core businesses would rise, and that the group's debt would be cut by $1bn in 1993 through asset sales and use of existing cash reserves.

# Peugeot aims for larger market share

By David Buchan in Paris

PEUGEOT aims to increase its share of a falling European market this year, after losing ground in its home base of France in 1992, Mr Jacques Calvet, president, claimed yesterday.

Mr Calvet said that his company would this year have the new models to launch under both its Peugeot and Citroën brands that it lacked last year and that therefore its share of the west European car market should rise to about 13 per cent from the 12.2 per cent of last year.

He gave no indication of the Peugeot results for 1992, after a first half in which the company reported profits of FFr2.3bn, ($420m) down from FFr2.7bn in the same period of 1991.

However, Mr Calvet estimated that overall west European car sales would be 5 per cent lower this year than last year, following an unpromising start this month.

He was not as pessimistic as the CEA, the European carmaker association, which was predicting a 7.5 per cent in European car sales this year.

However, Mr Calvet characteristically predicted that the European Commission would have great difficulty in reaching agreement with Japan on the latter's car exports to the community.

# Calpers names groups that perform poorly

By Louise Kehoe in San Francisco

THE California Public Employees' Retirement System, one of the largest institutional investors in the US with $71m in investment funds, has released the names of 12 companies it is targeting in an increasingly aggressive shareholder's rights campaign.

Calpers said it had held, or was seeking, meetings with representatives of the 12 companies among the fund's worst market performers.

Mr Dale Hanson, Calpers' chief executive, said the fund began its 1993 shareholder advocacy programme last September. But until now, it had not named the companies from which it was seeking changes in governance. Seven companies have reached deals with Calpers. These are: Boise Cascade, Champion International, MacFrugals Bargain Closeouts, Polaroid, Sears, Time Warner, and Westinghouse. Talks are continuing with Advanced Micro Devices, Chrysler, IBM, Pennzoil and Sizzler.

# Bradesco rises 77% to $289m

By Bill Hinchberger in Sao Paulo

BRADESCO, Brazil's largest private bank, posted profits of $289m for 1992, a 77 per cent increase over 1991.

The improvement was partly due to a 25 per cent reduction in provisions for bad debts to $116m for the year.

Loan operations accounted for 28 per cent of the results while a substantial proportion came from subsidiaries, mostly from Bradesco Seguros, the bank's insurance unit.

"The Brazilian insurance market continued growing in 1992, and Bradesco is the market leader," explained Mr Alcides Lopes Tapias, vice-president.

The bank benefited from Brazil's increase in exports. It handled $6.4bn of exchange operations for shipments abroad, representing 16.7 per cent of the market. The bank enjoyed a 25 per cent increase in this area.

Mr Tapias said Bradesco pushed ahead with cost cutting.

# OMV to reduce dividend

By Deborah Hargreaves

OMV, the Austrian oil refining and chemicals group warns that it will show a loss for last year of about Sch300m ($26.3m) rather than break-even as the company had anticipated in November.

The company said it would cut its dividend for the full year, proposing a pay-out of 15 per cent of its share capital, compared with a dividend of Sch20 per share in 1991.

OMV has introduced further cost-cutting measures on top of the 900 job cuts made last year. The company said it would cut investment to Sch4bn from Sch6bn in 1992 as well as continuing to cut staffing levels.

It made a loss of Sch383m in the first nine months of last year, but expected an improvement in the fourth quarter.

# ENI venture in Venezuela

By Sara Webb

ENI, the Italian industrial group, and Petroleos de Venezuela, the Venezuelan state oil group, have agreed to build a $360m methanol plant in Venezuela, with Chemical Bank of the US and Banca Commerciale Italiana of Italy providing part of the equity for the project.

The industrial partners and the participating banks yesterday signed a total of $206m of debt financing facilities for the project. Under the agreement, a total equity component of $142m for Supermetanol will be provided, with Ecofuel and Pequiven each subscribing $49m, while Chemical Bank and BCI will each subscribe $22m.

BCI and Chemical said the $22m equity component represents a conversion of Venezuelan state debt which the banks had acquired through the 1989 restructuring of Venezuelan state debt.

The debt finance facilities also include a L145bn ($99m) export credit facility, a $68.4m Euroloan facility, and a $47m term financing provided by Corporacion Andina de Fomento.

The Supermetanol project has been set up by Ecofuel, a subsidiary of the ENI group which manufactures MTBE (a high octane product), and Pequiven, a wholly-owned subsidiary of the Venezuelan state oil group. The Supermetanol plant is expected to have an annual capacity of 670,000 tonnes of methanol, a component of MTBE.

# Chile proposes reform of capital markets

By Leslie Crawford in Santiago

CHILE will today send a draft bill to Congress aimed at implementing the "deepest and most complete reform to the domestic capital markets" since the early 1980s.

The reforms aim to widen the investment horizons of private pension funds and insurance companies, which manage $15bn-worth of funds, almost 45 per cent of Chilean gross domestic product.

The legislation, which has been two years in the making, is long overdue.

Private pension funds, known as AFPs, are growing at $200m a month and have often complained about the dearth of investment options in Chile.

Under the proposed legislation, AFPs will be allowed to diversify their equity portfolios and invest in new instruments such as securitised bonds and the closed-end Entrepreneurial Development Funds.

They will be allowed to invest in shares and corporate bonds abroad.

At present, their foreign investment is restricted to AAA rated bank debt and gilt-edged securities.

Mr Alejandro Foxley, the Chilean finance minister, told a news conference the reforms had become imperative because pension funds were accruing so quickly. Government projections estimate AFPs will be handling domestic savings worth 90 per cent of GDP by the turn of the century.

Mr Foxley expects Congress will approve the capital market reforms within two to three months.

Senior advisers to the finance ministry say US companies are particularly interested in launching the securitisation business in Chile.

The reforms have called upon some elements of US trustee legislation in the introduction revenue bonds for the finance of large infrastructure projects. Under this scheme, the money raised by bond issuers is managed by a trustee which disburses funds as the project develops.

The finance ministry sees revenue bonds as an important vehicle for substituting foreign finance for big projects. Endesa, the biggest privatised utility in Chile, is said to be planning a $70m issue to help finance its $450m Pangue hydroelectric dam.

Insurance companies will be allowed to invest up to 15 per cent of their funds in foreign equity and bonds and in the derivatives markets at home and abroad.

UK GILTS

# Fears about funding help dampen sentiment

*PRICES rose for most classes* of gilts on the back of hopes of lower base rates. However, fears about funding, particularly related to this Wednesday's auction by the Bank of England of £2.5bn of 14-year stock, held back the consequent drop in yields.

The fall in yields was most marked at the short end of the yield curve, on account of the pressure which the government is coming under to cut base rates from their current 7 per cent.

That was triggered by depressing economic data released last week which indicated the recession of nearly three years may have a lot longer to run.

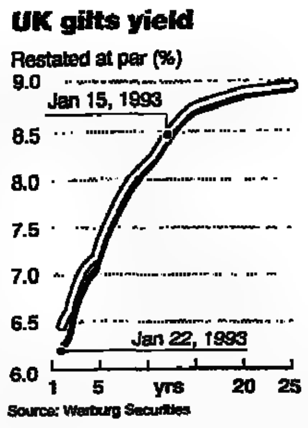
A poor performance by the car industry was a factor in a 0.5 per cent fall in manufacturing output in November compared with the previous month, while a sharp rise in the jobless total last month pushed unemployment to its highest level for almost six years.

The jobless total rose a seasonally adjusted 60,800 in December, the biggest monthly increase since July 1991, pushing the overall figure close to 3m. Meanwhile, average earnings across the economy rose by an underlying 5 per cent in the year to November, slightly below the October figure, which was revised upwards to 5.25 per cent. That demonstrated, according to many economists, the lack of inflationary pressures in the economy.

While a sharp fall in sterling last week against the D-Mark did little to lift investor sentiment, a still more powerful drag on the market was the auction of £2.5bn of 8.5 per cent Treasury stock due in 2007. With many investors weighing up whether to take positions at the auction, demand for gilts in this section of the yield curve was virtually non existent.

There was also some confusion in the gilt market on the back of projections that, according to estimates based on the rise in notes and coins in circulation during the first three weeks of January, the year on year rise for the M0 money supply for January could turn out at above 4 per cent.

According to Mr Nigel Richardson, economist at the UK office of Japanese bank Yamaichi, that was a worrying feature for the market given that this figure would breach the




Treasury's target for M0 growth. Year-on-year M0 growth in both November and December last year was 3 per cent. A figure of above 4 per cent, coming after two months in which the numbers were relatively large, might indicate a rise in inflation was around the corner.

Nonetheless, the notion that base rates were almost certain to come down ahead of the March 16 Budget pulled down yields "in an effect that dribbled along the yield curve", according to Mr John Shepperd, an economist at S. G. Warburg Securities. "Even with this sentiment a key question for the market is whether investors can absorb the large amount of supply coming via the auction without a drop in prices," he said.

The economic indicators last week demonstrated a crying need for a cut in base rates, said Mr Simon Briscoe, a bond analyst at Greenwell Montagu. "The question is whether the government will do it almost immediately or whether it will wait for the Bundesbank to cut rates, which may not be until mid-February."

However, some gilt commentators were more cautious, arguing that Mr Norman Lamont, the chancellor of the exchequer, may want to wait until he sees a date for the economy related to what was happening in January before taking action on base rates. That would be in keeping with his approach in the past of not wishing to be hurried into action on this score, in spite of evidence that any full recovery from the recession might be some time into the future.

**Peter Marsh**

JAPANESE BONDS

# Yields fall on hopes of a reduction in discount rate

HOPES of an imminent cut in the official discount rate buoyed Japanese government bonds last week, pushing yields down to their lowest levels for nearly five years.

Worries over sluggish money supply and weak share prices prompted the expectation of a credit easing by the Bank of Japan. The yield on the No 145 10-year benchmark bond fell to 4.335 per cent last Friday, its lowest since April 1988. At the short end, the return on three-month certificates of deposit declined to 3.7 per cent, matching the low of last December.

Low bank lending has been one of the leading factors behind the contraction in money supply. Last month, the money supply fell by 0.5 per cent from the previous year, posting its fourth consecutive monthly decline.

The Tokyo stock market, suffering from low trading volume, remains vulnerable to even light selling. The leading Nikkei index closed below the psychological resistance line of 16,500 last Friday, helping to harden speculation of a February crash ahead of the March year-end book closing by Japanese companies.

The weakness triggered renewed anticipation for monetary easing in support for share prices.

Meanwhile, the weakness of the Tokyo stock market has led to a shift in funds by institutional investors into the fixed income market. The bond market received a lift in sentiment through the Ministry of Finance's Y100bn purchase of 10 and 20-year bonds at the beginning of last week.

The move was the first outright bond purchase operated directly on the secondary market, as until now, the government has bought bonds through private placements. Bond market participants expect the operation to bolster Japan's faltering money supply, while lowering market rates and subsequently bank lending rates.

The decision was seen as an attempt by the ministry to increase the circulation of funds at a time when a sharp rise in postal savings is becoming a controversy among policy makers. Mr Marshall Gittler, bond analyst at Merrill Lynch in Tokyo, said: "The Ministry of Finance is trying to recycle postal funds into the financial system."

The finance ministry plans a Y100bn purchase of government bonds every month. "The Ministry of Finance has become a large institutional buyer which can be counted on to support the bond market," said Mr Eric Miller, bond trader at Barclays de Zoete Wedd in Tokyo.

While the monthly purchase may support sentiment, oversupply in the bond market is expected to dampen the current rally. An increasing number of Japanese companies, facing redemptions of equity-linked bonds, are expected to tap the corporate straight bond market for funds this year.

An income tax cut to lift the economy, which could be implemented this summer will push up the supply of debt. Economists expect the cut to be as large as Y5,000bn-Y6,000bn. To finance tax cuts on this scale, the government will need to issue some Y2,000bn to Y3,000bn in deficit bonds, which will mean extra supply.

The Ministry of Finance remains opposed to the issue of deficit bonds, but the ruling Liberal Democratic Party and leading business organisations, including the Keidanren, have built a consensus in favour of deficit spending.

Ms Tomoko Fujii, economist at Salomon Brothers in Tokyo, expects the rally to last for three to four months, with the yield falling on the bench market to 4.1 per cent. However, a rise in government borrowing plus the demand for funds by Japanese companies, are likely to push up bond yields thus steepening the yield curve.

**Emiko Terazono**

US MONEY AND CREDIT

# President gets easy ride in first week

THE bond market has given *the new president an easy ride*, bidding down the yield on the long bond to below 7.3 per cent in the week of his inauguration.

Apart from the obvious point that investors cannot react to *President Clinton's economic policy until he comes up with* one, the main reason why the markets have treated him so gently is that they have been preoccupied with other matters – chiefly, the size and structure of the next quarterly refunding round.

Explaining the background to the refunding question is relatively simple. The new Democratic administration is considering whether it should reduce the size of future long bond auctions and increase the issuance of shorter-dated maturities proportionally, in order to cut the cost of funding the federal deficit.

Saving money on paying for the deficit is crucial to any attempt to cut the size of the shortfall in the federal budget. Interest servicing costs in the last fiscal year exceeded $200bn, more than two-thirds of the deficit. Analysts estimate that by switching from longer to shorter-dated maturities, the government could *save several billion dollars* a year on debt payments.

A lot is at stake, and the fact that the new occupants of the Treasury are seriously considering changing the borrowing mix has obsessed the bond *market. If dealers and investors* can guess correctly about the outcome of the deliberations, then they can either make, or more pertinently, avoid losing, a considerable amount of money.

The short sellers, in particular, are keeping a close eye on the situation – none want to be caught with sizeable short positions if the Treasury announces plans to reduce long bond auctions. Such a move would inevitably push prices sharply higher as the market moved to discount the news, leaving short sellers badly squeezed.

Above all, the refunding question has made the market nervous, leading to greater than normal volatility. Last week, for example, a rumour that the new Treasury secretary, Mr Lloyd Bentsen, was about to call a press conference to deny there would be any reductions in long bond issuance left longer-dated securities noticeably weaker.

Laura Tyson: structure of borrowing mix is under review

However, within a few hours, prices had recovered strongly after Ms Laura Tyson, an economic adviser to the Clinton administration, said the structure of the borrowing mix was a subject under review.

If the government does choose to alter the shape of its financing, it will not come without a cost. Economists warn that issuing more shorter-dated paper will push up yields at short end of the market, which means the Treasury only saves money if the increase in short-term rates is smaller than the decline in long-term rates caused by the initial shift away from the long end.

Moreover, shortening the maturity of the federal debt assumes the relationship between short and long rates will remain the same for some time.

This is a dangerous assumption. If the yield curve were to flatten dramatically, with short-term rates rising sharply, the government could end up worse off than before.

Also, any narrowing of the spread between long and short rates would hurt bank profits, which could squeeze the supply of credit to the economy.

The Treasury is not due to announce details of the next quarterly refunding round until February 3, so the market has another week or so to stew over the matter.

While opinion on Wall Street is divided over whether the authorities will cut the size of the long bond auctions, those analysts who expect a shift in the borrowing mix believe the change will probably not be introduced until the second refunding programme, due in May.

**Patrick Harverson**



## LEGAL NOTICES

**INSURANCE COMPANIES ACT 1982
MUNICIPAL MUTUAL INSURANCE LIMITED
TRANSFER OF GENERAL BUSINESS**

1. NOTICE IS HEREBY GIVEN that Municipal Mutual Insurance Limited applied to the Secretary of State for Trade and Industry on 30th December 1992 for his approval, pursuant to section 51 of the Insurance Companies Act 1982, to transfer to General Accident Fire and Life Assurance Corporation p.l.c. all its rights and obligations under buildings and buildings and contents policies written by it on behalf of clients of Cheltenham & Gloucester Building Society in the United Kingdom prior to the close of business on the 30th September 1992.

2. Copies of the Statement of Particulars of the proposed transfer are available for inspection at 25/27 Old Queen Street, Westminster SW1H 9HN, Monday to Friday, from 9.00 am to 5.00 pm when particulars may be inspected until 9th February 1993.

3. Written representations concerning the transfer may be sent to the Secretary of State for Trade and Industry, Department of Trade and Industry, Insurance Division, 10-18 Victoria Street, London SW1H 0NN before 11th March 1993. The Secretary of State will not determine the application until after considering any representations made to him before that date.



## FT/ISMA INTERNATIONAL BOND SERVICE

| U.S. DOLLAR STRAIGHT | Issued | Bid | Offer | Chg. on week | Yield |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| | Issued | Bid | Offer | Chg. on week | Yield |
|---|---|---|---|---|---|
| QUEENSLAND GOVT 10 1/4 95 | 100 | 110⅝ | | | 5.65 |
| RALSTON PURINA 11 3/4 95 | 150 | 111½ | | | 6.15 |
| REED PUBLISHING 9 5/8 97 | 150 | 110⅝ | | | 6.71 |
| SAINSBURY 9 1/8 96 | 150 | 109¼ | | | 6.23 |
| SAS 10 99 | 200 | 108¼ | | −⅛ | 8.22 |
| SAS 10 1/8 95 | 150 | 108⅜ | | | 6.64 |
| SBAB 9 1/2 95 | 500 | 108½ | | | 5.53 |
| SBC FINANCE 7 3/4 96 | 200 | 105⅝ | | | 5.97 |
| SEAGRAM CO 8 1/2 96 | 100 | 101⅞ | | −⅛ | 7.84 |
| KFW INTL FINANCE 7 1/4 97 | 1500 | 101⅞ | | | 6.93 |
| SWEDEN 8 97 | 2500 | 103⅝ | | −⅛ | 7.16 |
| TOKYO ELEC POWER 7 5/8 02 | 1000 | 102⅞ | | +⅛ | 7.20 |
| TURKEY 10 3/4 96 | 500 | 103½ | | −½ | 9.57 |
| UNITED KINGDOM 7 1/8 97 | 5000 | 100½ | | | 6.99 |
| VOLKSWAGEN COM 8 5/8 97 | 400 | 104⅝ | | −⅛ | 7.37 |
| WORLD BANK 0 15 | 2000 | 23 | | | 6.62 |
| WORLD BANK 5 3/4 96 | 300 | 97⅞ | | −⅛ | 6.69 |
| WORLD BANK 8 3/4 00 | 1250 | 110½ | | −⅛ | 6.85 |

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. *Margin above six-month offered rate for US dollars. C.cpn = current coupon*
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on January 22



هكذا من الأصل

# INTERNATIONAL CAPITAL MARKETS

## INTERNATIONAL BONDS

# Stronger D-Mark sector rises from the Ecu market

OUT of the ashes of the Ecu market, a stronger and larger D-Mark Eurobond market has risen.

Given the importance of the D-Mark as a currency, the slow development of the D-Mark sector of the Eurobond market had been an anomaly, resulting in part from antiquated market practices. The liberalisation of Bundesbank rules last August helped to modernise the market, leaving it well positioned for an autumn windfall.

The turmoil in the foreign exchange market in September left many European countries, already facing problems funding their budget deficits, with depleted foreign currency reserves.

The D-Mark sector proved "the best watering hole for sovereign borrowers to refill their tanks", according to Dresdner Bank. Sweden's DM2.5bn financing in October helped to jump-start the market by proving that large, liquid D-Mark issues can attract international institutional investors.

Since then, the pace of growth has increased. The volume of D-Mark Eurobonds in the first three weeks of this year has reached DM14.5bn, representing 27 per cent of supply last year.

Although this level of activity is not likely to be maintained, volume is expected to run at record levels this year. The heavy supply so far has been easily absorbed by the market, which has not suffered from a widening of Eurobond spreads relative to bunds.

In part, the market has benefited from the availability of strong credits in large size, which helped attract new institutional investors.

The liquidity of the market has improved a lot but it still lags the dollar market. Many banks and securities houses have shifted idle Ecu bond dealers on to D-Mark Eurobond trading, while some German banks, such as Dresdner, have stepped up trading activity.

Consequently, the investor base has broadened sufficiently to keep pace with the market's growth. As well as attracting international institutions, the market has succeeded in attracting a new layer of domestic investors.

"Both the Finland and Italy deals [launched earlier this year] offered yield spreads over bunds, and also over Schuldscheine [domestic bonds] and mortgage bonds," said one German banker.

As a result, domestic institutions, such as insurance companies, have started to buy large Eurobond issues as a more liquid alternative to domestic paper. More business is likely to be channelled through the growing D-Mark medium-term note market.

At the same time, the turmoil in the financial markets last September sent international investors rushing towards the safe haven of D-Marks.

"The dynamics of the market are totally different now," said Mr Charles Berman, director of capital markets at Salomon Brothers. Investors face a reduced choice of markets since there is no longer a sizeable Ecu market and the convergence play on higher-yielding European markets has largely disappeared.

In fact, the development of the market is likely to be halted by the supply side, rather than lack of demand.

The swaps market affords little opportunity for borrowers without a need for D-Marks to swap into other currencies. With interest rates widely believed to be set to fall, there is a lack of counterparties willing to pay fixed-rate D-Marks.

While many sovereign and supranational borrowers hold some funds in D-Marks, relatively few companies need to borrow D-Marks. But sovereign and state borrowers are expected to return to the market soon.

**Tracy Corrigan**

### Correction

## Euroclear

Market participants will receive rebates from Euroclear, the international securities clearing house, of $12m. The figure reported in Friday's edition was incorrect.

## NEW INTERNATIONAL BOND ISSUES

| Borrowers | Amount m. | Maturity | Av. life years | Coupon % | Price | Book runner | Offer yield % |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| Shiseido Co.(a)♦ | 200 | Feb.1997 | 4 | 2.5 | 100 | Daiwa Europe | - |
| Tokyu Construction Co.(e)♦ | 180 | Jan.1997 | 4 | 2.375 | 100 | Yamaichi Int.(Europe) | - |
| Nagoya Railroad Co.(c)♦ | 150 | Jan.1997 | 4 | 2.5 | 100 | Yamaichi Int.(Europe) | - |
| Seika Corp.(f)♦ | 100 | Feb.1997 | 4 | 2.375 | 100 | Daiwa Europe | - |
| Tobu Store Co.(g)♦ | 65 | Jan.1997 | 4 | 2.375 | 100 | Nikko Europe | - |
| Shibusawa Warehouse(h)♦ | 80 | Jan.1997 | 4 | 2.5 | 100 | Yamaichi Int.(Europe) | - |
| GECC | 300 | Feb.1998 | 5 | 6 | 101.175 | Swiss Bank Corp. | 5.723 |
| NTT | 250 | Feb.1998 | 5 | 6 | 99.354 | Merrill Lynch Int. | 6.154 |
| Sekisui House(i)♦ | 200 | Feb.1997 | 4 | 2.5 | 100 | Yamaichi Int.(Europe) | - |
| Toyota Motor Crdt.Corp.(p) | 100 | Jan.1996 | 2.98 | 5.375 | 101.375 | CSFB | 4.867 |
| L'Auxiliaire du CFF(q)‡ | 100 | Feb.2003 | 10 | (q) | 99.875 | Kidder, Peabody Int. | - |
| Osprey Mtge.Secs.(No.8)(r)‡ | 33 | Feb.1994 | 1.1 | (r) | 99.94 | Goldman Sachs Int. | - |
| Osprey Mtge.Secs.(No.8)(s)‡ | 74 | Feb.1994 | 1.1 | (s) | 99.92 | Goldman Sachs Int. | - |
| Osprey Mtge Secs.(No.8)(t)‡ | 31 | Aug.1995 | 2.6 | (t) | 99.79 | Goldman Sachs Int. | - |
| Osprey Mtge.Secs.(No.8)(u)‡ | 33.7 | Aug.1997 | 2.4 | (u) | 99.83 | Goldman Sachs Int. | - |
| Osprey Mtge.Secs.(No.8)(v)‡ | 35.5 | Feb.1997 | 4.0 | (v) | 99.81 | Goldman Sachs Int. | - |
| Osprey Mtge.Sec.(No.8)(w)‡ | 73.1 | Aug.1997 | 4.4 | (w) | 99.69 | Goldman Sachs Int. | - |
| Electrolux | 200 | Jan.1998 | 5 | 7 | 101.48 | Lehman Brothers Int. | 6.642 |
| San Paolo, London(a1)‡ | 150 | Feb.1998 | 5 | (a1) | 100 | Salomon Brothers Int. | - |
| Iochpe-Maxion(b1) | 45 | Aug.1995 | 2.5 | 11.5 | 99.7 | Crdt.Lyon.Euro-Secs. | 11.642 |
| Z-Lbk Bank Austria(d1)‡ | 100 | Feb.2003 | 10 | (d1) | 100 | Morgan Stanley Int. | - |
| Crediop Overseas Bk.(g1)‡ | 150 | Feb.1998 | 5 | (g1) | 100 | Morgan Stanley Int. | - |
| **YEN** | | | | | | | |
| Republic of Portugal | 75bn | Feb.1998 | 5 | 4.875 | 99.95 | Daiwa Europe/ IBJ Int. | 4.887 |
| Asian Development Bank | 50bn | Feb.2003 | 10 | 5 | 99.65 | IBJ International | 5.045 |
| **D-MARKS** | | | | | | | |
| Spar Int.Financiering(Ams.) | 120 | Feb.2000 | 7 | 7.625 | 102 | DG Bank | 7.251 |
| BVOF(l)‡ | 100 | Feb.2003 | 10 | (l) | 102.2 | Bayer.Vereinsbank | - |
| Republic of Turkey | 400 | Feb.2000 | 7 | 9.5 | 102.5 | DG Bank | 9.003 |
| Council of Europe(m)‡ | 200 | Feb.2003 | 10 | (m) | 100 | Trinkaus & Burkhardt | - |
| Hokuetsu Paper Mills(n)♦ | 130 | Feb.1997 | 4 | 4 | 102.5 | Bayer.Vereinsbank | - |
| European Inv.Bank(x)‡ | 300 | Feb.2003 | 10 | (x) | 100 | Trinkaus & Burkhardt | - |
| Daimler-Benz Nth.Am.(c1)‡ | 300 | Feb.2003 | 10 | (c1) | 101.65 | Deutsche Bank | - |
| Nederlandse Gasunie(f1)‡ | 75 | Feb.2003 | 10 | (f1) | 102.2 | JP Morgan | - |
| **FRENCH FRANCS** | | | | | | | |
| Cetelem | 1bn | Feb.1997 | 4 | 8.25 | 100.635 | CCF | 8.058 |
| KfW International Finance | 2bn | Feb.1998 | 5 | 7.75 | 99.2 | CCF | 7.950 |
| Rhône-Poulenc(o) | 1bn | Nov.1999 | 6.77 | 8.75 | 103.118 | BNP Cap.Mkts. | 8.122 |
| Crédit Lyonnais | 500 | Nov.2003 | 10.74 | zero | 42.08 | Crédit Lyonnais | 8.390 |
| Crédit Foncier de France(y) | 1bn | Feb.2003 | 10 | 7.75 | 100 | BNP Cap.Mkts. | - |
| Banque Nationale de Paris | 1bn | Feb.2000 | 7 | 8.25 | 101.344 | BNP | 7.992 |
| Soc.Gén.Acceptance(z)‡ | 300 | Apr.2003 | 10 | (z) | 101 | Société Générale | - |
| Thompson-Brandt Int. | 1bn | Feb.1998 | 5 | 8.5 | 101.415 | CCF | 8.144 |
| Crédit Lyonnais | 1bn | Feb.2003 | 10 | 8.375 | 99.18 | Crédit Lyonnais | 8.500 |
| Crédit Local de France(e1) | 300 | Apr.2003 | 10 | (e1) | 101.5 | Crédit Lyonnais | - |
| **STERLING** | | | | | | | |
| Powergen | 250 | Mar.2003 | 10.13 | 8.875 | 99.05 | SG Warburg Securities | 9.015 |
| Norsk Hydro | 100 | Feb.2003 | 10 | 9.75 | 100.335 | Hambros Bank | 9.696 |
| SmithKline Beecham Cap. | 100 | Nov.1998 | 5.75 | 8.125 | 99.919 | NatWest Cap.Mkts. | 8.130 |
| Confederation Life Ins.Co. | 100 | Mar.2003 | 10 | 9.875 | 99.8 | BZW | 9.907 |
| Leeds Permanent Bldg.Soc. | 150 | Feb.2018 | 25 | 10.5 | 101.171 | CSFB | 10.367 |
| **CANADIAN DOLLARS** | | | | | | | |
| Crédit Local de France | 200 | Aug.1998 | 5.5 | 7.875 | 101.225 | Lehman Brothers Int. | 7.578 |
| Kredietbank Int.Finance | 125 | Mar.1996 | 3 | 7.875 | 101.625 | Kredietbank Int.Group | 7.253 |
| Swedish Export Credit | 100 | Aug.1998 | 5.5 | 8 | 100.7 | Wood Gundy | 7.821 |
| **ITALIAN LIRA** | | | | | | | |
| European Inv.Bank(j) | 100bn | Feb.2000 | 7 | 12.75 | 103.71 | IMI Bank Luxembourg | 11.939 |
| *European Inv.Bank* | *400bn* | *Feb.2003* | *10* | *12.2* | *101.7* | *San Paolo* | *11.900* |
| **GUILDERS** | | | | | | | |
| CSFB Finance | 250 | Feb.2000 | 7 | 7.5 | 101.1 | CSFB Nederland | 7.294 |
| **SWISS FRANCS** | | | | | | | |
| Shiseido Co.(b)♦★ | 100 | Feb.1997 | 10 | 2 | 100 | Credit Suisse | - |
| Nippon Denwa(d)♦★ | 35 | Jan.1997 | 4 | 1.875 | 100 | Yamaichi Bk.(Switz.) | - |
| Keio Teito Elec.Rail.(k)♦★ | 200 | Jan.1997 | 4 | 2 | 100 | UBS | - |
| Sekisui House(i)♦★ | 200 | Feb.1997 | 4 | 2 | 100 | UBS | - |
| **LUXEMBOURG FRANCS** | | | | | | | |
| City of Tampere | 500 | Apr.1996 | 3.16 | 8.125 | 102.35 | Banque Int.à Lux. | 7.253 |
| Chemins de Fer Lux. | 500 | Mar.2003 | 10 | 7.125 | 101.825 | Banque Int.à Lux. | 6.895 |
| Eurofima | 500 | Feb.2003 | 10 | 7.125 | 101.825 | BCEE | 6.895 |
| *European Inv.Bank* | *1.5bn* | *Feb.2000* | *7* | *7* | *101.75* | *BCEE* | *6.678* |
| Banque Int.à Luxembourg | 1bn | Mar.2000 | 7 | 7.375 | 102 | Banque Int.à Lux. | 7.004 |
| WestLB Luxembourg | 1bn | Mar.2003 | 10 | 7.5 | 102.1 | Kredietbank Lux. | 7.198 |

Final terms and non-callable unless stated. ★Private placement. ♦With equity warrants. ‡Floating rate note. a) Denom.: $5000+1 wrt. Exercise price: Y1323, a 2.66% premium. Exchange rate: 125.75Y/$. b) Denom.: SFr50,000+50 wrts. Exercise price: Y1323, a 2.56% premium. Exchange rate: 84.87Y/SFr. c) Denom.: $10,000+2 wrts. Exercise price: Y457, a 2.69% premium. Exchange rate: 125.60Y/$. d) Denom.: SFr50,000+50 wrts. Exercise price: Y780, a 2.59% premium. Exchange rate: 85.83Y/SFr. e) Denom.: $10,000+2 wrts. Exercise price: Y432, a 2.61% premium. Exchange rate: 125.50Y/$. f) Denom.: $5000+1 wrt. Exercise price: Y703, a 2.53% premium. Exchange rate: 125.50Y. g) Denom.: $10,000+2 wrts. Exercise price: Y721, a 2.55% premium. Exchange rate: 125.50Y/$. h) Denom.: $10,000+2 wrts. Exercise price: Y867, a 2.61% premium. Exchange rate: 125.50Y/$. i) Borrowers full name: Bayerische Vereinsbank Overseas Finance(Curacao). Coupon pays 8½% fixed annual in first year and 13.2% - 6-month Libor thereafter. j) Issue launched on 7/1/93 was increased to L200bn. k) Denom.: SFr50,000+50 wrts. Exercise price: Y528, a 2.5% premium. Exchange rate: 84.93Y/SFr. l) Final terms fixed on 25/1/93. m) Coupon pays 8¼% fixed annual for first 2 years and 13% - 6-month Libor thereafter. n) Final terms fixed on 22/1/93. o) Fungible with FFr1bn launched on 5/11/92. Plus 82 days accrued interest. p) Fungible with $300m launched on 5/1/93 from payment date. Plus 8 days accrued interest. q) Coupon pays 12½bp below 6-month Libor. Minimum coupon 5%, maximum 9½%. r) Class A1 notes. Coupon pays 12½bp over 3-month Libor. s) Class A2 notes. Coupon pays 15bp over 3-month Libor. t) Class A3 notes. Coupon pays 35bp over 3-month Libor. u) Class A4 notes. Coupon pays 65bp over 3-month Libor. v) Class A5 notes. Coupon pays 45bp over 3-month Libor. w) Class A6 notes. Coupon pays 50bp over 3-month Libor. x) Coupon pays 9% fixed annual in the first year and 13% - 6-month Libor thereafter. y) Partly paid issue: 40% due on 25/2/93 and 60% on 25/2/94. z) Coupon pays 10% fixed annual money market basis for first year and 14½% - 3-month Pibor thereafter. a1) Coupon pays 37½bp over 6-month Libor. b1) Coupon payable semi-annually. c1) Coupon pays 8¼% fixed annual in first 2 years and 13% - 6-month Libor thereafter. d1) Coupon pays 12½bp below 6-month Libor. Minimum coupon 5¼%, maximum 9%. e1) Coupon pays 11% fixed annual in first year and 14¼% - 6-month Pibor thereafter. f1) Coupon pays 8¼% fixed annual in first 3 years and 12% - 6-month Libor thereafter. g1) Coupon pays 18¼% over 3-month Libor. Callable and putable after 18 months with 30 days notice on each rollover date at par. Note: Yields calculated on ISMA basis.

### RISK AND REWARD

# Traditional split in derivatives is less clear-cut

THE traditional split between the two sides of the derivatives business – the exchange-traded and over-the-counter markets – is becoming less clear-cut.

Broadly, when derivative instruments are standardised and traded in heavy bulk, they are listed on futures exchanges, which offer greater transparency and reduce credit risk. But products which are tailor-made to suit specific requirements are traded over-the-counter, directly between counterparties.

In Europe, the two sides are generally seen as complimentary. Frequently, the same banks which are active in the OTC market are often exchange members. Since they use the exchanges to offset risk undertaken in writing OTC business, the argument goes, the growth of the OTC market fuels volume on the exchange.

"It can be argued that short-term interest rate futures are competitors to the over-the-counter FRA (forward-rate agreement) market. But when we launch a new contract, it does not take FRA volume away," according to Mr Roger Barton, head of product development at Liffe.

In the US, the futures exchanges have adopted a more competitive stance towards the OTC market, partly a result of their history of turf battles.

There is logic behind attempts to win business from the OTC market. For example, the largest component of the $4,000bn swaps market is dollar interest-rate swaps. These are heavily traded using standardised documentation, and no longer require specialist knowledge. Yet the Chicago Board of Trade's three and five-year swap futures, launched in 1991, proved a flop. One explanation is that the banks involved in the swaps market have an interest in trading over-the-counter, since the additional transparency provided by exchanges could cause bid/offer spreads to narrow.

Another possibility is that the development of the swaps market was facilitated by the existence of exchange-traded products for hedging, such as the Eurodollar contract, which can now be traded out to five years, so that a separate swap futures contract was just not needed.

In any case, the division between liquid, standardised markets and structured products is an over-simplification of the exchange/OTC split. The foreign exchange market is the most obvious anomaly: the most actively traded market in the world is barely traded on stock exchanges.

However, counterparty risk in the foreign exchange market is of very short duration. Clearly, the need for exchange-traded contracts is greater when an exchange would provide a substantial reduction in credit risk.

If credit risk is, as some traders believe, the key element, there is a strong argument for shifting at least some business on to exchanges. The decline in the credit-worthiness of banks and securities houses has made it increasingly difficult for some of them to do business, as demonstrated by the current spate of US firms attempting to set up separately capitalised, highly rated derivatives units.

The CBOT is preparing to take advantage of such credit concerns by offering a so-called Hybrid Instrument Transaction System later this year, which will comprise a range of standardised products to be traded on a screen-based system, as well as clearing facilities.

Other exchanges, notably the Chicago Board Options Exchange, are also becoming more ambitious in the complexity of the products they offer.

**Tracy Corrigan**

# WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

FRANCE (continued) [illegible]

GERMANY [illegible]

GERMANY (continued) [illegible]

ITALY [illegible]

NETHERLANDS [illegible]

NETHERLANDS (continued) [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWEDEN (continued) [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

JAPAN [illegible]

AUSTRALIA [illegible]

AUSTRALIA (continued) [illegible]

HONG KONG [illegible]

MALAYSIA [illegible]

SINGAPORE [illegible]

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. [illegible]

## CANADA

TORONTO

4 pm close January 22

[illegible]

MONTREAL

4 pm close January 22

[illegible]

Total Sales 20,643,800 shares

## INDICES

NEW YORK

| DOW JONES | Jan 22 | Jan 21 | Jan 20 | Jan 19 | 1992/93 HIGH | 1992/93 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Industrials | 3256.81 | 3253.02 | 3241.95 | 3255.99 | 3413.21 (1/6/92) | 3136.58 (9/10/92) | 3413.21 (1/6/92) | 41.22 (2/7/32) |
| Home Bonds | 104.06 | 104.06 | 103.94 | 103.98 | 104.36 (21/1/93) | 93.41 (2/1/92) | 104.06 (21/1/93) | 54.99 (1/10/81) |
| Transport | 1483.05 | 1490.70 | 1500.57 | 1510.44 | 1520.21 (28/12/92) | 1224.40 (25/8/92) | 1532.01 (5/9/89) | 12.32 (8/7/32) |
| Utilities | 223.08 | 223.77 | 222.08 | 222.93 | 225.54 (21/1/92) | 200.74 (8/4/92) | 236.23 (2/1/90) | 10.50 (8/4/32) |

DJ Ind. Day's High 3292.74 (3289.77) Low 3225.74 (3219.25) (Theoretical)
Day's High 3267.34 (3257.62) Low 3250.32 (3231.95) (Actual)

STANDARD AND POOR'S

| | Jan 22 | Jan 21 | Jan 20 | Jan 19 | 1992/93 HIGH | 1992/93 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 436.11 | 435.49 | 433.37 | 435.13 | 441.28 (18/12/92) | 394.50 (8/4/92) | 441.28 (18/12/92) | 4.40 (1/6/32) |
| Industrials | 504.42 | 503.59 | 501.19 | 502.69 | 515.75 (18/12/92) | 473.91 (8/4/92) | 515.75 (18/12/92) | 3.62 (21/6/32) |
| Financial | 41.99 | 41.98 | 42.00 | 42.27 | 42.27 (19/1/93) | 32.40 (8/4/92) | 42.27 (19/1/93) | 8.64 (1/10/74) |
| NYSE Composite | 240.41 | 239.82 | 238.89 | 239.66 | 242.08 (18/12/92) | 217.92 (8/4/92) | 242.08 (18/12/92) | 4.46 (28/4/42) |
| Amex Mkt. Value | 406.36 | 405.58 | 405.21 | 403.64 | 418.99 (12/2/92) | 364.85 (9/10/92) | 418.99 (12/2/92) | 29.31 (9/12/72) |
| NASDAQ Composite | 701.64 | 700.77 | 697.46 | 696.81 | 701.64 (22/1/93) | 547.84 (26/6/92) | 701.64 (22/1/93) | 54.87 (31/10/72) |

| | Jan 15 | Jan 8 | Dec 31 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 3.17 | 3.19 | 3.14 | 2.83 |

| | Jan 20 | Jan 13 | Jan 6 | year ago (approx.) |
|---|---|---|---|---|
| S & P Industrial div. yield | 2.60 | 2.59 | 2.58 | 2.78 |
| S & P Ind. P/E ratio | 26.62 | 26.70 | 26.85 | 23.24 |

NEW YORK ACTIVE STOCKS

| Friday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| LTV | 14,989,300 | 1¼ | + ⅛ |
| Oak Ind | 8,008,800 | 3½ | + 1 |
| Tucson Elec | 4,965,700 | 3⅛ | + ¼ |
| Gen Motors | 4,120,800 | 37⅞ | + ⅛ |
| Wal-Mart | 3,964,800 | 62⅛ | + 3⅛ |
| Chrysler | 3,637,000 | 39⅝ | + 1⅛ |
| IBM | 3,411,000 | 48⅛ | + 2⅛ |
| Bristol Myers | 3,119,100 | 60⅛ | - ⅜ |
| Citicorp | 3,115,200 | 26⅛ | + ⅛ |
| Am T & T | 3,014,500 | 53⅞ | - 1⅛ |

TRADING ACTIVITY

| † Volume (Millions) | Jan 22 | Jan 21 | Jan 20 |
|---|---|---|---|
| New York SE | 294,470 | 257,350 | 267,740 |
| Amex | 18,757 | 17,029 | 16,261 |
| NASDAQ | (a) | 240,744 | 240,744 |
| **NYSE** | | | |
| Issues Traded | 2,435 | 2,425 | 2,431 |
| Rises | 1,090 | 1,018 | 884 |
| Falls | 772 | 795 | 976 |
| Unchanged | 573 | 612 | 571 |
| New Highs | 150 | 111 | 133 |
| New Lows | 12 | 17 | 14 |

CANADA

| TORONTO | Jan 22 | Jan 21 | Jan 20 | Jan 19 | 1992/93 HIGH | 1992/93 LOW |
|---|---|---|---|---|---|---|
| Metals & Minerals | 2777.67 | 2743.51 | 2745.51 | 2760.05 | 3238.87 (16/1/92) | 2529.91 (17/11/92) |
| Composite | 3275.97 | 3275.80 | 3290.14 | 3288.10 | 3666.00 (16/1/92) | 3195.40 (14/10/92) |
| MONTREAL Portfolio | 1725.40 | 1720.97 | 1727.84 | 1729.05 | 1937.59 (16/1/92) | 1663.16 (14/10/92) |

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. ‡ Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ‡ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

| | Jan 22 | Jan 21 | Jan 20 | Jan 19 | 1992/93 HIGH | 1992/93 LOW |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ordinaries (1/1/80) | 1523.0 | 1519.1 | 1521.8 | 1519.1 | 1684.50 (22/5/92) | 1357.20 (16/11/92) |
| All Mining (1/1/80) | 589.6 | 590.6 | 592.4 | 591.7 | 726.80 (3/7/92) | 545.43 (16/11/92) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (30/12/84) | 307.49 | 306.90 | 305.94 | 305.29 | 458.57 (24/2/92) | 291.41 (13/8/92) |
| Traded Index (2/1/91) | 730.97 | 732.40 | 731.10 | 730.64 | 1099.43 (24/2/92) | 682.96 (13/12/92) |
| **BELGIUM** | | | | | | |
| BEL20 (1/1/91) | 1172.52 | 1164.41 | 1150.74 | 1145.67 | 1235.40 (2/6/92) | 1046.07 (29/9/92) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | 278.84 | 278.14 | 276.91 | 275.29 | 365.29 (15/1/92) | 250.42 (28/10/92) |
| **FINLAND** | | | | | | |
| HEX General (28/12/90) | 843.1 | 855.7 | 862.7 | 876.0 | 935.90 (24/2/92) | 541.08 (7/9/92) |
| **FRANCE** | | | | | | |
| CAC General (31/12/81) | 479.16 | 477.52 | 480.94 | 480.06 | 555.93 (12/5/92) | 441.70 (7/10/92) |
| CAC 40 (31/12/87) | 1820.42 | 1812.18 | 1818.02 | 1837.74 | 2077.49 (11/5/92) | 1611.04 (5/10/92) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 622.10 | 618.01 | 616.47 | 619.89 | 725.26 (26/5/92) | 565.61 (12/10/92) |
| Commerzbank (1/12/53) | 1763.9 | 1752.60 | 1747.9 | 1757.3 | 2043.80 (25/5/92) | 1594.63 (12/10/92) |
| DAX (30/12/87) | 1587.64 | 1573.67 | 1574.88 | 1578.83 | 1811.97 (25/5/92) | 1420.30 (5/10/92) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | (c) | 5914.39 | 5877.02 | 5897.90 | 6447.11 (12/11/92) | 4301.78 (2/1/92) |
| **IRELAND** | | | | | | |
| ISEQ Overall (4/1/88) | 1239.59 | 1234.45 | 1228.65 | 1236.26 | 1469.57 (17/1/92) | 1094.83 (29/10/92) |
| **ITALY** | | | | | | |
| Banca Com. Ital. (1972) | 481.62 | 487.60 | 485.34 | 487.96 | 561.59 (6/2/92) | 354.93 (16/9/92) |
| MIB General (4/1/93) | 1064.0 | 1077.0 | 1072.0 | 1078.0 | 1078.00 (19/1/93) | 992.00 (11/1/93) |
| **JAPAN** | | | | | | |
| Nikkei (16/5/49) | 16336.81 | 16538.68 | 16510.18 | 16798.64 | 23801.18 (6/1/92) | 14309.41 (18/8/92) |
| Tokyo SE (Topix) (4/1/68) | 1256.70 | 1264.66 | 1266.05 | 1276.07 | 1763.43 (6/1/92) | 1102.50 (18/8/92) |
| 2nd Section (4/1/68) | 1666.15 | 1668.87 | 1676.06 | 1678.58 | 2459.85 (6/1/92) | 1502.77 (19/8/92) |
| **MALAYSIA** | | | | | | |
| KLSE Composite (4/4/86) | (c) | 625.93 | 622.61 | 624.12 | 660.35 (5/11/92) | 546.65 (14/1/92) |
| **NETHERLANDS** | | | | | | |
| CBS Tr' Rtn.Gen.(End 1983) | 298.6 | 299.2 | 298.2 | 297.9 | 314.90 (9/6/92) | 274.30 (3/1/92) |
| CBS All Shr (End 1983) | 200.9 | 201.3 | 200.7 | 200.5 | 215.50 (26/5/92) | 199.70 (25/8/92) |
| **NORWAY** | | | | | | |
| Oslo SE Ord. (2/1/83) | 688.87 | 686.11 | 689.27 | 693.74 | 772.74 (18/5/92) | 532.45 (25.8/92) |
| **PHILIPPINES** | | | | | | |
| Manila Comp (2/1/85) | 1341.47 | 1331.24 | 1309.68 | 1282.99 | 1980.95 (11/6/92) | 1093.01 (17/7/92) |
| **SINGAPORE** | | | | | | |
| SES All-Singapore (2/4/75) | 402.54 | 402.01 | 399.62 | 399.83 | 416.99 (21/1/92) | 351.41 (21/10/92) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | 820.09 | 796.0 | 771.0 | 777.0 | 1327.00 (21/1/92) | 746.00 (10/11/92) |
| JSE Industrial (28/9/78) | 4535.09 | 4519.0 | 4521.0 | 4540.0 | 4689.00 (4/6/92) | 3936.03 (29/10/92) |
| **SOUTH KOREA**** | | | | | | |
| Korea Comp Ex. (4/1/80) | (c) | 699.92 | 700.00 | 699.32 | 709.77 (9/1/93) | 459.07 (21/8/92) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 232.18 | 234.09 | 234.07 | 229.57 | 266.51 (28/2/92) | 179.48 (5/10/92) |
| **SWEDEN** | | | | | | |
| Affarsvarlden Gen. (1/2/37) | 912.9 | 927.20 | 933.1 | 934.8 | 1014.50 (11/5/92) | 639.80 (5/10/92) |
| **SWITZERLAND** | | | | | | |
| Swiss Bank Ind. (31/12/58) | 929.5 | 924.5 | 914.7 | 915.6 | 938.10 (5/1/93) | 748.50 (8/1/92) |
| SBC General (1/4/87) | 704.0 | 699.8 | 692.1 | 691.3 | 704.00 (22/1/93) | 556.40 (26/8/92) |
| **TAIWAN**** | | | | | | |
| Weighted Price (30/6/66) | (c) | 3420.62 | (c) | 3420.62 | 5391.63 (30/1/92) | 3088.43 (9/1/93) |
| **THAILAND** | | | | | | |
| Bangkok SET (30/4/75) | 979.70 | 965.34 | 961.30 | 948.87 | 979.70 (22/1/93) | 667.84 (19/5/92) |
| **WORLD** | | | | | | |
| M.S. Capital Intl.(1/1/70) $ | 492.9* | 492.8 | 492.8 | 493.7 | 542.10 (7/1/92) | 467.50 (8/4/92) |
| Euro Top-100 (26/6/90) | 882.56 | 883.28 | 883.99 | 880.77 | 976.55 (25/5/92) | 772.52 (5/10/92) |

**Saturday January 16: Taiwan Weighted Price: 3362.52, Korea Comp Ex 691.31
♥ Subject to official recalculation
*Calculated at 15.00 GMT.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable.

### TOKYO - Most Active Stocks

Friday, 22 January, 1993

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Isuzu Motor | 8.2m | 348 | -12 |
| Minebea | 3.6m | 410 | -51 |
| Nippon Steel | 3.4m | 280 | -6 |
| Oki Electric | 3.1m | 354 | -11 |
| Mitsubishi Hvy | 1.8m | 610 | -2 |
| Hitachi | 1.8m | 705 | -16 |
| Mitsui Mining | 1.8m | 455 | -3 |
| Fujitsu | 1.4m | 622 | -7 |
| Nomura Sec | 1.4m | 1,440 | -10 |
| Kawasaki Steel | 1.3m | 278 | -2 |

هكذا من الأصل



# FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

## AUTHORISED UNIT TRUSTS

## Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

**INITIAL CHARGE:** [illegible]

**OFFER PRICE:** [illegible]

**BID PRICE:** [illegible]

**CANCELLATION PRICE:** [illegible]

**TIME:** [illegible]

**HISTORIC PRICING:** [illegible]

**FORWARD PRICING:** [illegible]

**SCHEME PARTICULARS AND REPORTS:** [illegible]

[illegible]

# FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call ( 071 ) 925 2128.

| Unit Name | Init Chrge | Canc. Price | Bid Price | Offer Price | Yield Gr's | City-line |
|---|---|---|---|---|---|---|
| **Sharp (Albert E.) & Co (1000)F** | | | | | | |
| Admn. 5 Rayleigh Rd Hutton, Brentwood Essex | | | | | | |
| Enquiries 0277 227300 Dealing: 0277 261010 | | | | | | |
| European | 5 | 103.00 | 103 50 | 108.90 | 1 74 | – |
| Intl Bond & Conv | 5 | 120 10 | 120 40 | 126 70 | 5 70 | 47424 |
| Pooled Pension 4 | 7 | 143.7 | 147.6 | 157 9 | – | 47257 |
| Smaller Cos | 5 | 58 04 | 59 82 | 62.97 | 2 16 | 46203 |
| UK General | 5 | 113 00 | 114 80 | 120 80 | 2.97 | – |
| **Sheppards Unit Trust Mngmt Ltd (1200)F** | | | | | | |
| 1 White Hart Yard, London Bridge SE1 071 407 5966 | | | | | | |
| Income | 5 | 376 40 | 376 40 | 398 98 | 5.17 | 40913 |
| Global Inc | 5 | 54.56 | 54 56 | 57 83 | 4.20 | 40916 |
| Brit Leaders | 5 | 313.55 | 313.55 | 332.36 | 3 07 | 40914 |
| Intl Leaders | 5 | 175.39 | 175.39 | 185.91 | 1 76 | 40915 |
| P&a Mar Bal Gwth Inc | 7½ | 50 60 | 51.93 | 53 95 | 3.15 | – |
| **Singer & Friedlander UT Mgmt Ltd (1000)F** | | | | | | |
| PO Box 224, Beckenham, BR3 4TF 081-663 3003 | | | | | | |
| European Trust | 6 | 49.21 | 49 30 | 52.45 | 1.60 | 42492 |
| Far Eastern Tst | 6 | 53 16 | 53 81 | 57 25 | 0 87 | – |
| Smaller Cos | 5 | 129.8 | 134 2xd | 142.7 | 2.97 | 47431 |
| **Smith & Williamson Unit Tst Mgrs (1600)F** | | | | | | |
| 1 Riding House St, London W1A 3AS 071-637 5377 | | | | | | |
| S & W American | 5 | 263 2 | 263 7xd | 279 0 | 1.05 | 41390 |
| S & W Capital | 5 | 109 8 | 109.8 | 117 6 | 2 1 | 40181 |
| S & W Cash | 0 | 102 07 | 102 07 | 102.07 | 6 60 | 47983 |
| S & W European | 5 | 107.6 | 107.8 | 114.0 | 1.07 | 40251 |
| S & W Far Eastern | 5 | [illegible] | [illegible] | [illegible] | 0 00 | 46973 |
| S & W Growth | 5 | 117 2 | 118 8xd | 125.7 | 1.66 | 41391 |
| S & W Income | 5 | 103 7 | 104.9 | 111.0 | 5.61 | 41392 |
| S & W Magnum | 5 | 115 6 | 115 6 | 124 1 | 2.00 | 47800 |
| S & W Smllr Secs | 5 | [illegible] | [illegible] | [illegible] | 0.75 | [illegible] |
| S & W Thoroughbred | 5 | 133 5 | 135 5xd | 143.3 | 1 79 | [illegible] |
| **Societe Generale Touche Remnant (1200)F** | | | | | | |
| [illegible] Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250 | | | | | | |
| American Gwth | 5¼ | 80 03 | 80.03 | 85.59 | 0 | 41525 |
| Eur Sp Sits Acc | 5¼ | 42.21 | 42.21 | 44 83 | 0 | 41526 |
| Eur Sp Sits Inc | 5¼ | 39 86 | 39 86 | 42.34 | 0 | 41527 |
| Far East Opps Inc | 5¼ | 27.20 | 27 20xd | 29.31 | 0 | 41660 |
| Far East Opps Acc | 5¼ | 27 95 | 27 95 | 30 11 | 0 | [illegible] |
| General Growth | 5¼ | 93 58 | 93.58xd | 100.50 | 0 | 41528 |
| General Growth Acc | 5¼ | 95.95 | 95 95 | 103 00 | 2 51 | 47438 |

| Unit Name | Init Chrge | Canc. Price | Bid Price | Offer Price | Yield Gr's | City-line |
|---|---|---|---|---|---|---|
| **Whittingdale Unit Tst Mgmt Ltd (0830)F** | | | | | | |
| 2 Honey Lane, London EC2V 8BT 071-600 0462 | | | | | | |
| Challenger | 2¼ | 88 95 | 88 95 | 91.03 | 0 00 | 41596 |
| Short Dtd Gilt | 1¼ | 108.1 | 108 1 | 109 5 | 4.47 | 41597 |
| U S. Govmt Bond | 1¼ | [illegible] | [illegible] | [illegible] | [illegible] | 41598 |
| Gilt Income | 4 | 51.12 | 51.12xd | 53 19 | 8.69 | 47010 |
| Gilt Growth | 4 | 63.50 | 63.50 | 66 09 | 0.00 | 47009 |
| City Reserve | 0 | 52.00 | 52.00xd | 52 00 | 6 92 | 47086 |
| **Woolwich Unit Trust Managers Ltd (1700)H** | | | | | | |
| 1 White Oak Square, Swanley BR8 7AG 0705 388046 | | | | | | |
| Stockmarket Fd F | 5 | 63 76 | 63 95 | 68.03 | 2.32 | 45998 |

## OTHER UK UNIT TRUSTS

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| **Baillie Gifford & Co Ltd** | | | | |
| Int'l Expt Jan 20 | 628.3 | 648.6 | 1.07 | 40105 |
| **Baring Investment Mngmt Ltd** | | | | |
| 155 Bishopsgate, London EC2M 3XY | | | | |
| 071 214 1050 (general enquiries) 071 214 1004 (dealing) | | | | |
| Charitable Funds | | | | |
| UK Growth & Income | 51.15 | 53.05 | 4 9 | – |
| Income Plus | 48 66 | 49 64 | 7.3 | – |
| **James Capel Fund Managers Ltd** | | | | |
| European Exempt | 103 346 | 104.546xd | 3.20 | – |
| Japanese Exempt | 100.184 | 101.794 | – | – |
| Managed Exempt | 122 991 | 130.025xd | 3.39 | 43128 |
| North American Exempt | 97.570 | 99.3350 | 1 21 | – |
| Pacific Exempt | 101.85 | 103 414 | – | – |
| **Cent. Bd. of Fin. of Church of England‡‡** | | | | |
| 2 Fore Street, London EC2Y 5AQ 071-588 1815 | | | | |
| Inv Fund Dec 31 | 582.50 | 586 60 | 5 08 | 40251 |
| Fxd Int Sec Dec 31 | 151 95 | 152.70 | 9 50 | 40252 |
| Deposit Fund: See Money Market Trust Funds. | | | | |
| **Charinco/Charishare‡‡ (1000)F** | | | | |

[illegible]

## INSURANCES

[illegible]

Continued on next page

# FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call ( 071 ) 925 2128.

**Prolific Life & Pensions Ltd**
Stramongate, Kendall, Cumbria LA9 4UB 0539 733733
Managed Fund see Balanced Growth Managed Fund

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| **Life Funds** | | | | |
| Balanced Gwth Mngd | 654 8 | 696 6 | - | 43315 |
| Adventurous Mngd | 158 7 | [illegible] | - | 46402 |
| Cautious Mngd | 124 0 | 132 0 | - | 46403 |
| Cash Fd | 316 6 | 333 7 | - | 43316 |
| Property Fund | 216 1 | 229 9 | - | 43317 |
| Equity Fund | 751 6 | 799 6 | - | 43318 |
| Fxd Inc Fund | 406 6 | 428 5 | - | 43319 |
| International | 332 1 | 353 3 | - | 43320 |
| High Income | 578 1 | 615 1 | - | 43321 |
| Far East | 436 5 | 464 4 | - | 43322 |
| North American | 449 8 | 478 6 | - | 43323 |
| Special Sits | 542 1 | 576 8 | - | 43324 |
| Technology | 461 9 | 491 4 | - | 43325 |
| Extra Inc Fd | 316 3 | 336 5 | - | 43326 |
| Convertible & Gilt Fd | 152 0 | 161 8 | - | 43327 |
| American Income | 179 3 | 190 8 | - | 43328 |
| Gilt Fund 20 | 439 7 | 467 8 | - | 43329 |
| European Fund | 119 6 | 127 3 | - | 43330 |
| Pref & Fixed Int | 110 9 | 118 0 | - | 46332 |
| UK Blue Chip | 116.0 | 122 3 | - | 47044 |
| Recovery Fund | 113 5 | 119 6 | - | 47056 |
| Equity Income Dist | 104 7 | 111 4 | 5 03 | 47816 |
| Managed Dist | 99 1 | 105 5 | 5 68 | 47817 |
| High Yield Dist | 102.4 | 108 0 | 8 62 | 44422 |
| **Pension Funds** | | | | |
| Balncd Gth Mngd Pens Acc | 760 3 | 800 4 | - | 43331 |
| Adventurous Mngd Pens Acc | 167 3 | 176 2 | - | 46404 |
| Cautious Mngd Pens Acc | 143 4 | 151 0 | - | 46405 |
| Building Soc. Acc | 365 1 | 384 4 | - | 43332 |
| Property Pens Acc | 294 2 | 309 7 | - | 43333 |
| Fix Inc Pens Acc | 639 7 | 673 4 | - | 43334 |
| Equity Pens Acc | 967 2 | 1018 2 | - | 43335 |
| International Pens Acc | 308 2 | 324.5 | - | 43336 |
| High Inc Pens Acc | 652 4 | 686 8 | - | 43337 |
| Tech Pens Acc | 326 3 | 343 5 | - | 43338 |
| N American Pens Acc | 344 4 | 362 6 | - | 43339 |
| Far Eastern Pens Acc | 441 9 | 465 2 | - | [illegible] |

## OFFSHORE AND OVERSEAS

### BERMUDA (SIB RECOGNISED)

### GUERNSEY (SIB RECOGNISED)

### CANADA (SIB RECOGNISED)

### GUERNSEY (REGULATED)

### OFFSHORE INSURANCES

### MANAGEMENT SERVICES

### IRELAND (SIB RECOGNISED)

### IRELAND (REGULATED)

### ISLE OF MAN (SIB RECOGNISED)

### ISLE OF MAN (REGULATED)

# FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| **John Govett Management (IoM) Ltd** | | | | |
| [illegible] | $16.19 | | - | 45839 |
| Paragon Plus Red Jan 4 | £9.99 | | - | 46732 |
| Paragon Stlg Red Jan 4 | £11.32 | | - | 46733 |
| SE Asian Wts NAV Jan 21 | $9.81 | | - | 46013 |
| Govett Mngd Ftre Jan 22 | £13.94 | 15.25 | - | 44516 |
| Govett Mngd Ftrs Jan 22 | $9.85 | 10.77 | - | 47538 |
| [illegible] Jan 21 | $15.96 | | - | 46843 |
| [illegible] Jan 21 | $8.06 | | - | - |
| Dlr Geared Bd Jan 22 | $7.29 | | - | 46440 |
| **IBI Global Funds Limited** | | | | |
| Intl Stlg Gwth | £20.76 | 21.86 | - | 45289 |
| Intl $US Gwth | $18.01 | 18.97 | - | 45290 |
| High Income Gilt | £25.98 | 26.93 | - | 45291 |
| International Equity | £21.02 | 22.14 | - | 45292 |
| [illegible] | £22.99 | 23.84 | - | 45293 |
| Managed Currency | £27.70 | 27.99 | - | 45294 |
| Sterling Currency | £26.68 | 26.96 | - | 46030 |
| US$ Currency | $37.86 | 38.26 | - | 46031 |
| Irish £ Currency | I£15.53 | 15.70 | - | 46029 |
| **R & H Fund Managers Ltd** | | | | |
| LFM Sterling Fd | £11.08 | 11.55 | - | 44455 |
| [illegible] | £11.59 | 12.08 | - | 46580 |
| **Target International (Isle of Man) Ltd** | | | | |
| IMC Offshore Fd | £9.54 | 10.33 | - | 46450 |
| [illegible] W/W S/S | £10.67 | 10.92 | - | 46581 |

## JERSEY (SIB RECOGNISED)

| Unit Name | Init Charge | Canc. Price | Bid Price | Offer Price | Yield Gr's | City-line |
|---|---|---|---|---|---|---|
| **AIB Fund Managers (CI) Ltd** | | | | | | |
| PO Box 468 St Helier Jersey 0534 36633 | | | | | | |
| *AIB Currency Funds Ltd* | | | | | | |
| Intl Managed Bond | 5 | | I£– 21.1588 | 21.1990 | - | 47337 |
| Managed Capital Bd | 5 | | I£– 21.5283 | 21.5971 | - | 47754 |
| *AIB Geared Currency Fund Limited* | | | | | | |
| Stlg Mngd Currency | 5 | | £– | 11.0144 | - | 44685 |
| Sterling Currency Fd | 5 | | £– | 10.6230 | - | 44683 |
| Ecu Currency | 5 | | Ecu– | 11.0176 | - | 45562 |
| US Dollar Mngd Curr | 5 | | $– | 21.7226 | - | 47336 |
| **Barclays International Funds** | | | | | | |
| PO Box 152 St Helier Jersey CI 0534 67888 | | | | | | |

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| **Lloyds Bank Trust Co (CI) Mngrs** | | | | |
| Lloydstrust World Inv Port | £2.451 | 2.574 | 1.48 | - |
| Dealing Weekly on Thursday | | | | |
| **Management International (Jersey) Ltd** | | | | |
| Anchor Gilt Edge (z) | £9.83 | 9.87xd | 9.52 | 45030 |
| **Minerals, Oils Res. Shrs. Fd. Inc.** | | | | |
| Mores Jan 21 | $13.28 | 13.56 | 2.95 | 45476 |
| **Nat. Westminster Jersey Fd. Mngrs. Ltd** | | | | |
| Sterling Income(z) | 53.7 | 56.0 | 7.77 | 45546 |
| UK Equity Fd (z) | 221.8 | 236.0 | 2.71 | 45547 |
| *Intl Bond Fd | 97.0 | 100.0 | 6.87 | 45548 |
| *Sterling Mngd Asset Fd | 538.5 | 568.0xd | 5.00 | 47700 |
| *Sub. day every Thurs | | | | |
| **NatWest TrustCar Currency Fund (z)** | | | | |
| Dollar Class | | $38.2781 | | 45550 |
| Sterling Class | | £27.1165 | | 45551 |
| D-Mark Class | | DM84.3849 | | 45552 |
| Japanese Yen Class | | Y7986.4589 | | 45554 |
| **Ashburton Replica Portfolio Ltd** | | | | |
| Ashburton Replica Ptfolio Ltd £ | 11.31 | 11.76 | - | 47755 |
| Ashburton Replica Ptfolio Ltd $ | $10.49 | 10.90 | - | 47756 |
| **Northgate Unit Tst. Mngr. (Jersey) Ltd** | | | | |
| Pacific Fund Jan 14 | $34.73 | 36.93 | - | 45567 |
| **Perpetual UT Mngrs (Jersey) Ltd** | | | | |
| Offshore Intl Gwth Fd | $3.7415 | 3.9761 | - | 45591 |
| Offshore Japanese Gwth Fd | $0.9109 | 0.9681 | - | 47690 |
| Offshore Am Gwth Fd | $6.7289 | 7.1508 | - | 45592 |
| Offshore Emerging Cos | $4.0727 | 4.3281 | - | 45593 |
| Offshore European Fd | $1.5165 | 1.6116 | - | 45594 |
| Offshore Global Bond | $0.9689 | 1.0093 | - | - |
| Offshore Global Bond Acc | $0.9689 | 1.0093 | - | - |
| Offshore Far Estrn Fd | $2.2680 | 2.4103 | - | 45595 |
| Offshore UK Growth Fd | $2.0267 | 2.1538 | - | 45596 |
| **The Portugal Fund Limited** | | | | |
| Lloyds Bank Trust Company (Channel Islands) Ltd | | | | |
| NAV Jan 15 | | $4.12 | - | 47465 |
| **Royal Bk of Scotland Fd Mngrs (Jersey) Ltd** | | | | |
| Ivory Growth Fund | £15.35 | 15.98xd | 1.43 | 45838 |
| LFM Defensive Strtgy | £11.25 | 11.83 | - | 41663 |
| **Royal Trust Intl Fd Mngt Ltd** | | | | |
| Sterling Fxd Int (z)† | 100.50 | 101.60 | 7.58 | 45738 |
| Intnational Bond (z)† | $1.141 | 1.153 | 4.94 | 45740 |
| †Prices on Jan 20. Next dealing Jan 27 | | | | |
| **Schroder Mngt Services (Jersey) Ltd** | | | | |

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| China Fund | $20.10 | | | |
| | $9.99 | | - | - |
| **Wellington Fd Mngrs (Bermuda) Ltd** | | | | |
| Intnl Growth Fd | $12.91 | 13.55 | - | 45945 |
| **Wells Fargo U.S. IT Fund** | | | | |
| Wells Fargo A Shs (z) | $11.92 | | - | 47859 |
| Wells Fargo B Shs (z) | $11.74 | | - | 47196 |
| **Worldwide Limited** | | | | |
| NAV Nov 31 | $84.68 | | - | - |
| **Xiphias International Investment Fd Ltd** | | | | |
| Xiphias Int US$ Acc | $1.1512 | | - | 46024 |
| Xiphias Int ECU Acc | Ecu1.1451 | | - | 46023 |
| Xiphias Int ECU Dis | Ecu1.0329 | | - | - |
| **Yamaichi Capital Mngmt (Guernsey) Ltd** | | | | |
| Thai Inv Fund | $13.69 | | - | 46493 |

### MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). z Offered price includes all expenses except agent's commission. z Previous day's price. B Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase. xd ex dividend.
(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Financial Services Department; Luxembourg: Institut Monétaire Luxembourgeois.

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGE AND MONEY MARKETS

# Worries on sterling

**The week starts with uncertainty hanging over the immediate direction of both the dollar and sterling,** *writes James Blitz*

At the end of last week, the US currency dipped below the DM1.60 level against the D-Mark, with some dealers wondering whether its five pfennig fall since the start of this year is more than just a technical correction.

There is lingering uncertainty about the scale of the economic upturn in the US, and some dealers continue to think that US interest rates, which are currently at about 3 per cent, may be lowered again by the US Federal Reserve.

Wednesday's testimony by Mr Alan Greenspan, the Federal Reserve Chairman, before the Joint Economic Committee will be closely scrutinised for any policy indications it gives.

Tomorrow's consumer confidence figures from the Conference Board and this week's jobless figures, out on Thursday, should also give further clues as go whether the pick-up in the US economy can be sustained.

Sterling will also be in the spotlight, with strong speculation that the Bank of England might cut base rates this week to give a new impetus to economic growth.

The pound was trading below DM2.45 against the D-Mark for most of Friday, and there is a growing belief in the market that it may go as low as DM2.40.

Today's CBI Quarterly Industrial Trends Survey will add further light to last week's gloomy unemployment figures for December. The December current account and trade balance, due out on Friday, may have a particularly significant impact on the pound as far as foreign investors are concerned.

The French franc has performed very strongly in the last two weeks, and has been trading more than 5 centimes above its ERM floor against the D-Mark. There is strong speculation that the Bank of France will cut its main lending rates when it intervenes in the market today and Thursday.

### £ IN NEW YORK

| Jan 22 | Close | Previous Close |
|---|---|---|
| £ Spot | 1.5305-1.5315 | 1.5220 1.5230 |
| 1 month | 0.54-0.52pm | 0.53 0.52pm |
| 3 months | 1.33-1.30pm | 1.33 1.30pm |
| 12 months | 3.75-3.65pm | 3.65 3.55pm |

Forward premiums and discounts apply to the US dollar

### STERLING INDEX

### CURRENCY MOVEMENTS

### CHICAGO

### OTHER CURRENCIES

| Jan 22 | £ | $ |
|---|---|---|
| Argentina | 1.5185 - 1.5210 | 0.9990 - 1.0000 |
| Australia | 2.2560 - 2.2580 | 1.4875 - 1.4885 |
| Brazil | 22438.4 - 22453.9 | 14767.0 - 14767.5 |
| Finland | 8.3325 - 8.4140 | 5.4950 - 5.5150 |
| Greece | 322.550 - 329.000 | 212.640 - 216.090 |
| Hong Kong | 11.7510 - 11.7680 | 7.7330 - 7.7350 |
| Iran | 2305.00* | 1490.00* |
| Korea(Sth) | 1211.35 - 1230.90 | 788.30 - 794.50 |
| Kuwait | 0.46300 - 0.46500 | 0.30545 - 0.30550 |

### CURRENCY RATES

### POUND SPOT - FORWARD AGAINST THE POUND

### DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

### EXCHANGE CROSS RATES

### EURO-CURRENCY INTEREST RATES

### FT LONDON INTERBANK FIXING

### MONEY RATES

### LONDON MONEY RATES

### LONDON RECENT ISSUES

### FIXED INTEREST STOCKS

### RIGHTS OFFERS

### BANK OF ENGLAND TREASURY BILL TENDER

### WEEKLY CHANGE IN WORLD INTEREST RATES

### BASE LENDING RATES

### STOCK INDICES

### LONDON SHARE SERVICE

BRITISH FUNDS

OTHER FIXED INTEREST

Continued on next page

### FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

## MONEY MARKET FUNDS

### Money Market Trust Funds

### Money Market Bank Accounts

## LONDON SHARE SERVICE

### AMERICANS

| | Notes | Price £ | W'k% ch'nge | Div gross | Dividends paid | Last xd | City line |
|---|---|---|---|---|---|---|---|
| Abbott Labs | h | 18⅜xd | 2.1 | 80c | FeMyAuNv | 12.1 | 1503 |
| Allegheny & W | ♥ | 439p | -4.2 | 38c | - | - | - |
| Amdahl | | 934p | 7.7 | 10c | NvMrJeAu | 31.3 | - |
| Amer Cyanamid | | 39⅝ | -2.7 | $1.65 | MrJeSeDe | 4.3 | - |
| Amer Express | | 16⅞xd | 1.3 | $1.00 | FeMyAuNv | 28.9 | 1594 |
| Amer T & T | | 36⅞xd | 6.2 | $1.32 | FeMyAuNv | 29.12 | 1597 |
| Ameritech | | 48 | 1.8 | $3.68 | FeMyAuNv | 28.3 | - |
| BankAmerica | | 34½xd | 13.8 | $1.30 | FeJeSeDe | 18.11 | 1744 |
| Bankers NY | | 44¼xd | 2.6 | $3.12 | ApJyOcJa | 24.12 | 1745 |
| Bell Atlantic | | 34¼ | 0.4 | $2.60 | FeMyAuNv | [illegible] | [illegible] |
| BellSouth | | 35½ | 0.2 | $2.76 | FeMyAuNv | [illegible] | [illegible] |
| Bethlehem Steel | ♥ | 11⅞xd | 12.1 | - | MrJeSeDe | 8.2 | 1821 |
| Bowater | | 1519pxd | 3.9 | $1.20 | OcJaApJy | 9.3 | 1884 |
| CPC | h | 31⅞xd | -.8 | $7.20 | JaApJyOc | 28.12 | 2263 |
| Cadiz Land Inc | ♥ | 115p | - | - | † | - | - |
| California Engy | | 1356p | 23.7 | - | - | - | - |
| Chase Manhattan | | 19⅝xd | 2.3 | $1.20 | FeMyAuNv | 28.10 | 2109 |
| Chrysler | | 25⅞xd | 10.1 | 60c | ApJyOcJa | 18.12 | 2135 |
| Citicorp | | 17xd | 18.7 | - | - | 23.10 | 2141 |
| [illegible] | | 38⅝xd | 0.3 | $1.24 | FeMyAuNv | 22.7 | 2184 |
| Cont'l Bank | | 1437p | 2.9 | 60c | DeMrJeSe | 31.5 | - |
| Dana | | 32⅛xd | 5.7 | $1.60 | MrJeSeDe | 25.11 | 2306 |
| Data General | | 755p | -1.2 | - | - | - | - |
| [illegible] | ♥ | 148p | - | - | † | - | - |
| Dun & Brad | | 39¼ | 1.9 | $2.28 | MrJeSeDe | 13.2 | - |
| Eaton | | 51½ | 0.7 | $2.20 | FeMyAuNv | 2.2 | 2410 |
| Echlin | | 16¼xd | 4.0 | 70c | JaApJyOc | 29.12 | 3046 |
| FPL | | 24⅞xd | 2.9 | $2.44 | MrJeSeDe | 25.8 | - |
| Ford Motor | | 31⅞xd | 7.5 | $1.60 | MrJeSeDe | 27.10 | 2515 |
| Gen Elect | | 64⅞xd | -.6 | $2.52 | JaApJyOc | 2.12 | 2575 |
| General Host | ♥ | 573p | -1.2 | 24c | † | 13.12 | - |
| Gillette | | 36⅞xd | -2.4 | 72c | MrJeSeDe | 28.10 | 2695 |
| Hasbro | | 20⅝ | - | 20c | FeApJyNv | 1.8 | - |
| Honeywell | h | 21⅞ | -2.6 | 89c | MrJeSeDe | 23.11 | 2919 |
| Houston Inds | | 30⅝ | 2.1 | $3.00 | MrJeSeDe | 10.11 | - |
| IBM | | 30¼ | -2.4 | $4.84 | MrJeSeDe | 8.11 | 2986 |
| Ingersoll-Rand | | 21⅝xd | 5.2 | 70c | MrJeSeDe | 13.11 | 2979 |
| Lockheed | | 37½ | 2.0 | $2.12 | MrJeSeDe | 15.2 | - |
| Lowe's | h | 1741p | 5.6 | 28c | JaApJyOc | 11.7 | - |
| Merrill Lynch | | 43⅛xd | 2.6 | $1.28 | FeMyAuNv | 30.4 | 3351 |
| Morgan (JP) | | 40¼xd | 0.6 | $2.40 | JaApJyOc | 16.12 | 3418 |
| Morris (Philip) | | 47⅞xd | -1.1 | $1.72 | JaApJyOc | 10.12 | 5161 |
| NYNEX | | 55½ | - | $4.64 | FeMyAuNv | 27.6 | 4740 |
| Pall | | 13¼xd | 6.0 | 32c | FeMyAuNv | 24.1 | - |
| Pennzoil | | 32⅞xd | 1.5 | $3.00 | MrJeSeDe | 24.11 | 3630 |
| Quaker Oats | | 42⅞xd | 1.8 | $1.92 | JyOcJaAp | 15.12 | 3738 |
| [illegible] | | 18¼xd | 1.3 | 92c | MrJeSeDe | 10.11 | 3847 |
| Rep NY | | 31⅜xd | -.2 | $1.08 | JaApJySe | 10.12 | 3814 |
| Sears, Roebuck | | 31½xd | 2.8 | $2.00 | JaApJyOc | 26.11 | 5191 |
| Stheastern Bell | | 48¼ | -1.3 | $2.92 | MyAuNvFe | 4.7 | - |
| Sun Co | | 18⅞ | 1.6 | $1.80 | MrJeSeDe | 5.11 | 4135 |
| Tenneco | | 26⅞xd | -2.6 | $1.60 | MrJeSeDe | 20.11 | - |
| Texaco | | 38⅞xd | - | $3.20 | MrJeSeDe | 28.10 | 4200 |
| Time Warner | h | 21⅞xd | 2.4 | 28c | MrJeSeDe | 28.11 | 4234 |
| Unitab | ♥ | 458p | - | - | † | - | - |
| URS Intl. 1c | ♥ | 6½p | - | - | † | - | 4364 |
| US West | | 25¼ | -.5 | $2.12 | FbMyAuNv | 14.4 | - |
| Varity | | 1848p | 1.1 | - | - | 11'77 | - |
| Waste Manage | | 25⅝xd | 3.9 | 52c | ApJyOcJa | 18.12 | 4439 |
| Whirlpool | | 2887pxd | 4.2 | $1.10 | MrJeSeDe | 4.3 | - |
| Woolworth | ♥ | 19⅛ | 2.0 | $1.12 | MrJeSeDe | 28.1 | 4340 |

### CANADIANS

[illegible]

### BANKS

[illegible]

### BREWERS & DISTILLERS

[illegible]

### BUILDING MATERIALS

[illegible]

### BUILDING MATERIALS - Cont.

[illegible]

### BUSINESS SERVICES

[illegible]

### CHEMICALS

[illegible]

### CONGLOMERATES

[illegible]

### CONTRACTING & CONSTRUCTION

[illegible]

### ELECTRICALS

[illegible]

### ELECTRICITY

[illegible]

### ELECTRONICS

[illegible]

### ENGINEERING-AEROSPACE

[illegible]

### ENGINEERING-GENERAL

[illegible]

### ENGINEERING-GENERAL - Cont.

[illegible]

### FOOD MANUFACTURING

[illegible]

### FOOD RETAILING

[illegible]

### HEALTH & HOUSEHOLD

[illegible]

### HOTELS & LEISURE

[illegible]

### HOTELS & LEISURE - Cont.

[illegible]

### INSURANCE BROKERS

[illegible]

### INSURANCE COMPOSITE

[illegible]

### INSURANCE LIFE

[illegible]

### INVESTMENT TRUSTS

[illegible]

### INVESTMENT TRUSTS - Cont.

[illegible]

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# LONDON SHARE SERVICE

## INVESTMENT TRUSTS - Cont.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

## INVESTMENT COMPANIES

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

## MEDIA

## MERCHANT BANKS

## METALS & METAL FORMING

## MISCELLANEOUS

## MOTORS

## OIL & GAS

## OIL & GAS - Cont.

## OTHER FINANCIAL

## OTHER INDUSTRIALS

## PACKAGING, PAPER & PRINTING

## PACKAGING, PAPER & PRINTING - Cont.

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## TRANSPORT

## WATER

## SOUTH AFRICANS

## PLANTATIONS

## MINES

## MINES - Cont.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Greenwich Res. □ | 5¼ | — | – | – | – | – | 2773 |
| Hanlo Gold C$ | £3½ | 3.4 | 020c | – | Dec Jan | 8.11 | – |
| Iwmia West E ††□ | 36 | — | – | – | – | – | – |
| Kalis Minis E ‡‡ | 8 | — | – | – | – | – | 3741 |
| Kenmare □ | 7½ | 7.1 | – | – | – | – | 1453 |
| Mallings Res. | 18 | — | – | – | – | – | – |
| Nevan Res E | 25 | — | – | – | – | – | 1188 |
| 5pc Ln Notes | 25 | — | – | – | – | – | – |
| Oryx Gold | 47 | –1.1 | – | – | – | – | 3688 |
| Plateau | 38 | — | – | – | – | – | 3407 |
| RTZ □ | 685 | 1.1 | 19.5 | 1.5 | Dec Jul | 21.9 | 3880 |
| Viscaya | 2¼ | –8.3 | – | – | – | – | 4193 |

## GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ⊕ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. E Auction basis. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1992-93. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Dividend based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

### FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Critchley (Electricals) and Hunters Armley (Paper Pckg & Prntg). Deletions: Abaco and London Securities (Properties) and Consolidated Freightways (Transport).

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Call +44 71-925 2128 for more details.

4 pm close January 22

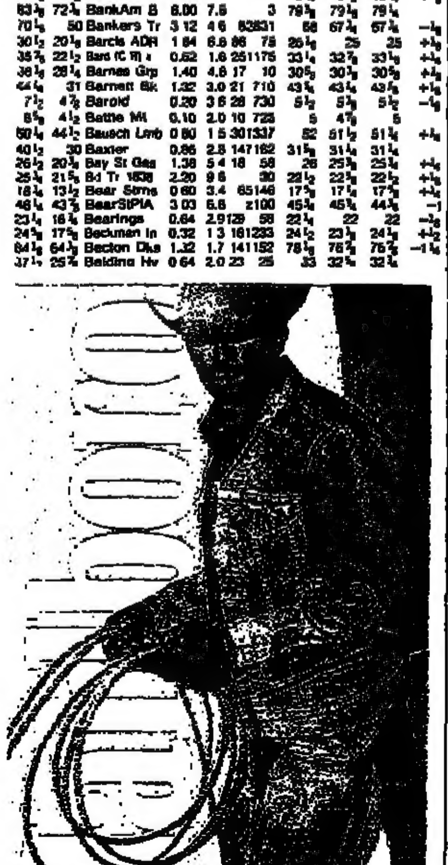
# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1992-93 High | Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 15⅞ | 10¾ | AAR Corp | 0.48 | 3.9 | 22 | 459 | 12⅞ | 12¼ | 12⅜ | +⅛ |
| 28½ | 18 | A L Labs A | 0.18 | 0.7 | 158 | 227 | 25⅞ | 25⅛ | 25⅞ | +⅛ |
| 68⅜ | 52⅝ | AMP Inc | 1.52 | 2.7 | 21 | 1699 | 57¼ | 56⅝ | 57 | -¼ |
| 80¼ | 54½ | AMR | | | | 133318 | 67⅝ | 66 | 66 | -⅝ |
| 2⅞ | 1⅞ | ARX | | | 13 | 69 | 2 | 1⅞ | 2 | |
| 53½ | 29⅞ | ASA | 2.00 | 6.5 | 20 | 438 | 31⅛ | 30⅞ | 30⅞ | -⅛ |
| 34¼ | 26⅛ | Abbott Lab x | 0.60 | 2.2 | 18 | 9626 | 28⅛ | 27¼ | 27¼ | |
| 13⅞ | 10⅞ | Abitibi Pr x | 0.50 | 4.4 | 4 | 104 | 11⅛ | 11⅛ | 11⅛ | |
| 11⅝ | 10⅛ | ACM Gvt In | 0.36 | 3.3 | | 442 | 11 | 10⅞ | 11 | |
| 10⅜ | 9 | ACM GvOpp | 1.21 | 13.1 | | 43 | 9⅛ | 9⅛ | 9⅛ | +⅛ |
| 9¼ | 8½ | ACM Gvt Sp | 0.85 | 9.4 | | 166 | 9⅛ | 9 | 9 | |
| 11⅛ | 9⅞ | ACM Gvt Se | 0.96 | 8.8 | | 806 | 11 | 10⅞ | 10⅞ | |
| 10⅝ | 8⅜ | ACM Man | 1.16 | 12.1 | | 194 | 9⅞ | 9¾ | 9¾ | |
| 12⅞ | 8⅝ | ACM Managd | 0.78 | 8.7 | | 582 | 9⅛ | 8⅞ | 9 | +⅛ |
| 11¼ | 4¾ | Acme Cleve | 0.40 | 4.9 | 15 | 169 | 8⅝ | 8⅛ | 8⅛ | -⅝ |
| 8⅞ | 3¾ | Acme Elect | | | 177 | 87 | u8⅞ | 8¾ | 8⅞ | |
| 33¼ | 13⅞ | Acuson | | | 11 | 1285 | 14½ | 14⅛ | 14⅜ | +¼ |
| 21 | 18⅛ | Adams Expr | 0.48 | 2.4 | 1 | 62 | 20 | 19⅞ | 20 | +⅛ |
| 49⅝ | 29½ | Ad Micro | 3.00 | 6.2 | | 58 | 48¼ | 48 | 48 | -¼ |
| 21½ | 7½ | Ad Micro P | 3.00 | 15.2 | 7 | 3229 | 20 | 19¾ | 19¾ | -¼ |
| 9⅛ | 4⅞ | Advest Grp | 0.16 | 2.4 | 14 | 256 | 6¾ | 6¼ | 6¾ | +⅜ |
| 44½ | 33 | Aegon ADR | 1.35 | 3.0 | 8 | 116 | u44½ | 44 | 44½ | +¼ |
| 50¾ | 38 | Aetna Li | 2.76 | 5.5 | 14 | 2574 | 50 | 49½ | 49⅞ | +½ |
| 14½ | 9⅛ | Aflil A | 0.24 | 1.7 | 18 | 2022 | 14¼ | 13⅞ | 14 | +⅛ |
| 35¾ | 24 | Aflac | 0.44 | 1.3 | 15 | 2378 | 34 | 33¼ | 33⅞ | +½ |
| 22⅛ | 13 | Ahmanson | 0.88 | 4.6 | | 92719 | 20 | 18⅞ | 19⅛ | -1 |
| 22½ | 4 | Aileen Inc | | | 11 | 430 | 6½ | 6 | 6½ | +½ |
| 49½ | 36½ | Air Pr Chm | 0.86 | 2.0 | 17 | 1762 | 45⅛ | 42½ | 43⅛ | -1⅞ |
| 29¾ | 12½ | Airbne Frt | 0.30 | 1.4 | 115 | 147 | 21⅛ | 20⅞ | 20⅞ | |
| 23 | 11¼ | Airgas Inc | | | 28 | 400 | 19⅝ | 18¾ | 19 | -⅛ |
| 12⅞ | 8⅛ | Airlease | 1.60 | 14.5 | 8 | 84 | 11⅛ | 10⅞ | 11 | +⅞ |
| 104 | 99 | AlaPw8 16 | 8.16 | 8.0 | | z100 | 101¼ | 101¼ | 101½ | |
| 105 | 100¼ | Alab 8.28C | 8.28 | 8.0 | | z100 | 103½ | 103½ | 103¾ | +¼ |
| 11¼ | 10½ | AlaPwOpPf | 0.87 | 8.6 | | 20 | 10½ | d10¼ | 10¼ | -⅜ |

| 1992-93 High | Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 32¼ | 27⅞ | BP Prudhoe | 2.83 | 9.5 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1⅞ | 0 | BP Wis93 | | | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 16⅞ | 7 | Brit Steel | 0.94 | 9.3 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 70⅝ | 53⅞ | Br Telecm | 2.43 | 4.1 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 30½ | 15¼ | Broad Inc | 0.28 | 0.9 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 35⅛ | 28 | Brooklyn U | 1.98 | 5.7 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 29⅜ | 21 | Brown Grp | 1.60 | 5.6 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 10½ | 5 | Brown&Shrp | 0.32 | 5.0 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 90 | 72 | BrwnFormnB | 2.72 | 3.4 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 27¾ | 19⅝ | Browning F | 0.66 | 2.5 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 4 | 1⅞ | BRT | | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 17⅞ | 12⅞ | Brunswick | 0.44 | 2.7 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 13 | 12⅞ | Brush Well | 0.20 | 1.2 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 32⅛ | 25⅞ | Buckeye Pt | 2.60 | 8.0 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 17¼ | 14⅞ | Bunker Hill | 1.38 | 8.8 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 15 | 11⅞ | Burger K I | 1.58 | 11.0 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 23⅞ | 11 | Burl Coat | | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 47⅞ | 33¼ | Burl North | 1.20 | 2.7 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 43⅝ | 33 | Burln Resc | 0.55 | 1.4 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 18 | 14¼ | Burnham Pc | 1.36 | 7.9 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## - C -

| 1992-93 High | Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 37½ | 25¾ | CBI Ind | 0.48 | 1.7 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 220½ | 132¼ | CBS Inc | 1.00 | 0.5 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1⅝ | ⅝ | CCX Inc | | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| ⅝ | ⅜ | CF Inc Uts | 0.16 | 11.8 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 22⅝ | 14⅞ | CMS Energy | 0.48 | 2.5 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 104½ | 78½ | CNA Finl | | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 51½ | 39¾ | CPC Intl | 1.20 | 2.8 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 27⅛ | 14⅞ | CPI Corp | 0.56 | 2.8 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 75⅝ | 64½ | CSX | 1.52 | 2.1 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 24½ | 16⅞ | CTS Corp | 0.40 | 2.1 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 33⅝ | 26¾ | Cable&Wire | 0.58 | 1.8 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |



Continued on next page

هكذا من الأصل

# NYSE COMPOSITE PRICES

Continued from previous page

| 1992 – 93 High | Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 1½ | ½ | Zapata | | | 43 | 452 | ⅞ | 11/16 | ⅞ | +1/16 |
| 11⅛ | 5 | ZenithElec | | | 2 | 830 | 6⅛ | 5⅞ | 6⅛ | +⅛ |
| 21⅝ | 14½ | Zenith Nat | 1.00 | 4.6 | 19 | 216 | u21¾ | 21⅝ | 21¾ | +¼ |
| 7½ | 6 | Zenix Inc x | 0.82 | 11 | 7 | 81 | 7⅛ | 7 | 7 | −⅛ |
| 14¾ | 10 | Zero Corp | 0.40 | 3.0 | 20 | 503 | 13¼ | 12⅞ | 13¼ | +½ |
| 40¾ | 27¾ | Zurn Ind | 0.88 | 2.3 | 43 | 1940 | 39 | 37⅞ | 37⅞ | −1⅝ |
| 14⅜ | 12 | Zweig Fund | 1.44 | 11 | 2 | 183 | 13 | 12⅞ | 12⅞ | |
| 11 | 9½ | Zweig Totl | 0.96 | 9 | 4 | 1002 | 10⅛ | 10⅛ | 10⅛ | |

*Price data supplied by Telekurs.*

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full

# AMEX COMPOSITE PRICES

4 pm close January 22

| Stock | Div. | P/E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| Bowne | 0.30 | 10 | 419 | 17½ | 17⅜ | 17½ | +⅛ |
| Cal Engy | | 23 | 1349 | u21¼ | 20¾ | 20¾ | −¼ |
| Calprop | | 0 | 5 | 1½ | 1½ | 1½ | |
| Can Marc | 0.28 | 8 | z100 | 10⅝ | 10⅝ | 10⅝ | |
| Chambrs A | 0.01 | 32 | 388 | 5¼ | 5⅛ | 5¼ | +⅛ |
| Chambers | | 6 | 60 | 5½ | 5¼ | 5¼ | −¼ |
| Champion | | 27 | 223 | u12⅛ | 11⅞ | 12⅛ | +⅛ |
| Glatfltr x | 0.70 | 12 | 140 | 18 | 17⅞ | 18 | +⅛ |
| Goldfield | | 3 | 346 | 11/16 | 11/16 | ⅝ | |
| Greenman | | 6 | 78 | 4½ | 4⅜ | 4⅜ | −⅛ |
| Gulf Cda | 0.34 | 3 | 565 | 2⅜ | d2¼ | 2¼ | |
| Hasbro | 0.20 | 19 | 1236 | 34⅝ | 34½ | 34½ | +⅛ |
| Health Ch | | 19 | 13 | 2⅜ | 2¼ | 2⅜ | |
| Nat Patnt | | 12 | 338 | 3 1/16 | 3 | 3⅛ | +1/16 |
| New Line | | 31 | 371 | 14 | 13½ | 14 | +½ |
| NY TimesA | 0.56 | 89 | 1212 | 27⅜ | 27⅛ | 27¼ | |
| NthCanOil | 0.17 | 43 | 106 | 8 | 7⅞ | 7⅞ | |
| NV Ryan | | 1 | 282 | ¼ | 11/16 | ¼ | |
| Odetics A | | 85 | 21 | 7 | 6⅞ | 6⅞ | −⅛ |
| Oilsten | 0.32 | 33 | 202 | u40⅛ | 39½ | 40⅛ | +⅝ |
| Pegasus G | 0.10 | 27 | 1248 | 13⅛ | 12⅞ | 13 | |
| Perini | 0.80 | 17 | 56 | 17⅞ | 17⅞ | 17⅞ | |
| Pet H&P | 1.14 | 11 | 13 | 17¼ | 16¾ | 17¼ | |
| Phil LD | 0.25 | 9 | 702 | 35⅛ | 34⅝ | 35⅛ | +½ |
| Pitney A | 1.10 | 18 | 27 | 34¾ | 34½ | 34½ | −½ |
| WIRET | 1.12 | 20 | 606 | 14 | 13½ | 14 | +⅛ |
| Worthen | 0.16 | 10 | 57 | 25½ | 25⅛ | 25⅜ | +⅛ |
| Xytronix | | 5 | 67 | 7⅛ | 6¾ | 7⅛ | +⅛ |

# NASDAQ NATIONAL MARKET

4 pm close January 22

- X - Y - Z -

| Stock | Div. | P/E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| Xilinx | | 34 | 4502 | u33¼ | 32½ | 33¼ | +⅞ |
| Xoma Corp | | 3 | 5576 | 9¼ | 8⅛ | 9 | +⅛ |
| Yellow Fr | 0.94 | 22 | 438 | 29⅞ | 28⅞ | 29⅛ | −⅛ |
| York Rsch | | 7 | 906 | 7⅛ | 6⅞ | 7 | |
| ZionsUtah | 0.84 | 13 | 261 | u79¼ | 77½ | 78½ | +½ |

*MONDAY INTERVIEW*

# Mr Fix-it's central role

## Bob Phillis, next deputy director-general of the BBC, talks to **Raymond Snoddy**

A puppet of Bob Phillis appeared on Spitting Image, the satirical television programme that savagely lampoons the rich and famous, from the royal family to government ministers.

It is, however, an accurate measure of the fame of Mr Phillis that the puppet only appeared once in a crowd scene and has languished in his cellar ever since. It was made in honour of his 40th birthday when he was managing director of Central, the ITV company responsible for Spitting Image.

It may now be time to take the puppet back upstairs. Mr Phillis, now 47, has been playing an increasingly significant role in British broadcasting for more than 10 years and is to play an even bigger one.

He will be the next deputy director-general of the BBC, even though he left school at 15 to become an apprentice in the printing industry, knew nothing of Oxford or Cambridge, where BBC top executives are normally educated, and has never made a programme in his life.

"People say to me: 'Bob you are not a programme maker,'" he says. "I'm not. I have never produced or directed a programme, but by God I believe it is part of my role to facilitate the environment in which programme makers can do their best work."

Mr Phillis is central to the plans of Mr John Birt, the new BBC director-general, to try to make the corporation more efficient and accountable, and to persuade the government to renew both its Royal Charter and its universal licence fee.

Apart from deputising for Mr Birt across the whole organisation, Mr Phillis will be responsible for a BBC directorate being created to handle resources, engineering and services. His job will also involve merging and running, for the immediate future, BBC World Service Radio, which has just celebrated its 60th anniversary, and the more recent World Service Television.

Were Mr Phillis to be joining a First Division football team, he would be the calm, genial sort of solid, midfield player who holds the line when the defence is about to crumble and who can feed the star attackers with accurate passes.

But he possesses a more fearsome reputation. People have noticed that, where Mr Phillis goes, job losses can follow. In his two years as chief executive of ITN, staff numbers were cut from 1,100 to 650. There are fears that his arrival will mean similar cuts at the BBC.

"I do bridle at the notion of hatchet man," he says. "I have been lucky to have been asked to be managing director or chief executive of companies going through change, and some of that change has been painful. But it has not been change for change's sake; it has been to sustain, or preserve or facilitate." ITN would not have survived without urgent action to tackle costs in the wake of a £10m overspend which came to light just as he was arriving, he emphasises.

Ironically, Mr Phillis will go to the BBC in the wake of a much larger and much more embarrassing overspend. The BBC admits to being £38m over budget at BBC Television in 1991-92, although the corporation managed to balance its books overall through cost savings. This year the BBC says its "best guess" is that there could be a £21m overspend if economies are not implemented.

"How can you deploy the argument of openness and accountability and value for money if ever this overspend repeats itself? So we have to make sure it doesn't," says Mr Phillis, who will join the BBC in two months. He first wants to see through the completion of a change of ownership at ITN. A consortium including Carlton Communications, Central and Reuters will replace the previous ITN structure – a wholly owned subsidiary of all the ITV companies.

Mr Phillis denies there is an agenda at the BBC to cut specific numbers of staff jobs. But there is an agenda to improve efficiency.

"Unless the BBC is shown to be operating effectively and efficiently, and applying licence payers' money to what it does best, then it is properly going to be open to scrutiny and criticism," he says.

The journey to the heart of one of Britain's most significant institutions has been an unusual one – from a council estate in Croydon, south London. In retrospect, each step has equipped Mr Phillis to be a Mr Fix-it of broadcasting organisations.

An interest in the communications industry and a fascination for pictures have linked his working life. "When I was 15, I was staring into an illuminated glass screen, looking at images, looking at pictures and changing them, retouching them," he says.

Ashley Ashwood

### 'What gives me a buzz is television'

His parents thought the greatest job security lay in Bob becoming a member of Slade, the society of lithographic artists, designers and process workers. He studied in his own time, won a scholarship to Nottingham University to study industrial economics as a 20-year-old "mature student", and was supported by his wife Jean with the help of a weekly collection at his union branch.

**PERSONAL FILE**

- 1945 Born December. Educated Ruskin Grammar School and Nottingham University.
- 1961 Printing apprentice.
- 1968 Thomson Regional Newspapers.
- 1969 British Printing Corp.
- 1971 Lecturer, Edinburgh University and Scottish Business School.
- 1976 Personnel, managing director, Sun Printers.
- 1979 Managing director, Independent Television Publications.
- 1981 Managing director, Central.
- 1987 Group managing director, Carlton.
- 1991 Chief executive, ITN.

"I have no regrets that I left school at 15," he says. "If I had stayed on at school I would probably have gone to university to read history." He retains an interest in history, particularly of the first world war, and is a member of the Western Front Association, visiting battlefields like the Somme where the grandfather he was named after died.

The first brush with the world of television came when he was pitching, as managing director of Sun Printers, for the printing contract for TV Times, the ITV listing magazine. Instead, he accepted the managing directorship of Independent Television Publications, the ITV company that published the magazine. It was still print, but it was print about television.

In 1981 he accepted, after some misgivings, the managing directorship of the restructured Midlands ITV franchise created out of Lord Grade's ATV, which was to be a dual region with studios in Nottingham and Birmingham.

"The franchise had been awarded to a company that didn't have a name, that wasn't financed, didn't have a chief executive, didn't have a site for its second studio [in Nottingham], and which had to get rid of 49 per cent of its shares. I'm absolutely certain three or four industry figures were approached before me," says Mr Phillis.

Somehow the money was raised to get Central on the air. Mr Phillis says he is proud of the innovative programmes broadcast by his team there.

In November 1986, Mr Michael Green, chairman of Carlton Communications, the expanding television services and programming company, poached him at just the right moment. Central's board had just turned down Mr Phillis's plans to take Central into satellite television. He left and became group managing director of Carlton, working on plans to bid for an ITV franchise. They eventually proved successful when the company won the London franchise and took over from Thames Television. After four years, Mr Phillis moved to ITN as chief executive.

He denies reports of a rift with Mr Green and says he moved because he realised his job satisfaction lay in a different direction.

"Carlton is a great conglomerate but what gives me a buzz, a rush of adrenaline, is television," he says.

Mr Green believes his former colleague played an important role at Carlton in helping to manage the transition from a small to a medium-sized company. "I think he is well equipped to understand the problems of the BBC and provide a commercial view and an understanding of the market-place," Mr Green says.

For Mr Phillis the BBC looks like his ultimate destination rather than another staging post. The BBC Royal Charter runs out at the end of 1996 and Mr Phillis has signed a five-year contract. After that he says he does not know what will happen to him. Already, however, there is speculation that he could follow Mr Birt.

One letter of congratulation on his new job gave him particular pleasure. It was from Mr John Orford, the journeyman printer who looked after the young apprentice. It simply asked: who would have believed that "the lithe, fit young man who cycled to work each day" would go so far?

# The greatest years may lie ahead

**MICHAEL PROWSE** on AMERICA

It is fashionable to argue that the US is a superpower in relative decline. Since the publication in 1987 of historian Paul Kennedy's The Rise and Fall of Great Powers, a succession of pundits has compared the US's position today with that of Britain in the late 19th century. Distracted by global military and diplomatic responsibilities, the argument runs, the US has neglected its economy and ignored festering social problems. The result, as with Britain a century earlier, is a prolonged decline in economic competitiveness that now threatens the US's ability to provide global leadership.

In his inaugural address, President Bill Clinton seemed to accept much of this "declinist" thesis. Speaking metaphorically he said the US was in "the depth of winter". He spoke of drift and deadlock, of stagnant wages, of shaken confidence and of increasing inequality. It was time, he claimed, to "force the spring" and heal a fractured economy and society.

Hardly anybody doubts that there is a lot wrong with contemporary America. Lack of access to healthcare, appalling inner-city poverty, racial discrimination and levels of crime far above those in other industrialised countries are all signs of a seriously malfunctioning society. But the broader "declining superpower" thesis is less compelling.

The US has lost economic ground relative to other industrialised countries since 1945, when it produced about half of world output. But this is less a reflection of US decline than of the distorting impact of the second world war, which boosted the US economy while devastating those of Europe and Japan. Once allowance is made for an initial catch-up, the evidence for continuing US decline is, at best, mixed.

Surprisingly, the US share of the industrial output of the 24 rich members of the Organisation for Economic Co-operation and Development is larger today than in 1970. If allowance is made for "purchasing power parities" (differences in domestic costs), Japan was the only country to advance relative to the US during the 1980s. And OECD calculations suggest Japan's per capita gross domestic product was only about 80 per cent of the US's by the end of the decade. After adjusting for internal purchasing power, the leading European countries failed to make any headway relative to the US in the 1980s; (west) Germany, the most prosperous, ended the decade with living standards about 15 per cent lower than in the US.

The US, like other advanced countries, has experienced slower productivity growth since the early 1970s. But it has retained a large absolute advantage. This is true even in manufacturing industry, although Japan and Germany are challenging its dominance in particular sectors.

America retains many other socio-economic advantages. It is still easily the least crowded of the large developed economies, with a population density less than 10 per cent of Japan's. This means it can continue to reap the economic benefits of relatively liberal immigration policies. It has a younger population than Japan or most European countries, meaning that it faces less acute fiscal challenges as a result of population ageing. It is better endowed with raw materials and physical capital than most of its competitors. And it has the world's most extensive (and arguably best) system of higher education, which partly compensates for flaws in US high schools.

Perhaps the least appreciated US advantage is the fact that it has the lowest per capita tax burden of any OECD country, bar Turkey. This means that the supposedly intractable fiscal problems are not really intractable. If it chooses, the Clinton administration can reduce the budget deficit, increase investment and tackle social problems without imposing tax burdens higher than those already faced by most citizens of most advanced democracies. There is a lot of fiscal wiggle room, even if this is not often apparent to US politicians.

So why is there so much fear of decline? It partly reflects a confusion between growing inequality and economic decline. Many families have lost ground because the benefits of economic growth have accrued mainly to the top 30 per cent of the population. This in turn reflects the tighter link between pay and productivity (which reflects education) in an increasingly competitive global economy.

"Declinism" may also be partly media- driven: for 12 years academics and journalists (many of whom are Democrat sympathisers) had an incentive to denigrate the US as a way of discrediting Republican presidents. With their man in the White House, it would not be surprising if the mood now grew more upbeat.

Rather than comparing the US with Britain at the end of the 19th century, it might make more sense to compare it with Britain in 1815 after the victory over Napoleonic France. The US, after all, has just won a lengthy and debilitating war against communism. This sapped its economic strength and distorted its national goals, just as did Britain's long struggle for supremacy with France.

With a new, energetic president, and with the same party controlling both White House and Congress, the US now has a chance to flower economically, politically and socially. The next 50 years could be its heyday rather than a period of painful decline.

# A revolutionary idea

**IAN DAVIDSON** on EUROPE

The most important single fact about the election of President Clinton, as far as the rest of the world is concerned, is that the new US administration intends to give its top priorities to domestic issues. This clear message of Mr Clinton's election campaign was underlined in his inaugural address last Wednesday, which contained only the scantest allusions to foreign policy, and no specific reference at all to America's European allies.

Some sceptics question whether things will really pan out like that. But it would be prudent for the rest of the world, starting with the Europeans, to take Mr Clinton at his word. For the probability is not merely that Mr Clinton means what he says, but that his preferences are consistent with the undertow of forces operating in the world today.

There is no doubt that Clinton would prefer to give foreign policy a lower profile than it had under George Bush, or indeed most recent presidents. The question is whether international events, the expectations of other people, and America's undeniable position as the only remaining superpower, will permit him to rearrange America's traditional priorities.

Take the flare-up of the conflict with Iraq, with which George Bush signed off his presidency. Before the handover, Mr Clinton showed no hesitation in endorsing the actions of the outgoing president. After his inauguration, he vowed to continue the Bush policy. "We are going to stay with our policy," he said. "It is an American policy."

Maybe the crisis (and President Bush) gave him no choice, unless he wanted to be blackened as a wimp. But the bottom line is that the Clinton presidency has started out looking like a strange continuation of the Bush presidency, with a military engagement by the US in the Middle East, but without a credible endgame strategy.

The temptation to play on the world stage may prove permanently seductive, sceptics claim, if only as an elevated form of escape from intractable domestic problems. It will always be easier to bomb Saddam just one more time, than to do anything, however small, about the budget deficit.

Finally, the international community will demand global leadership and no one else can provide it. This is the greatest challenge to Clinton's chosen priorities, according to Leslie Gelb of the New York Times. "Today, there is no alternative to Washington's leadership and no substitute to US military power," he says. "If Mr Clinton fails to lead in Somalia, Bosnia, Iraq, etc, no other country can or will."

The trouble with these arguments, is not that they draw too much on nostalgia and wishful thinking (though of course they do), but that they take too little account of changes in the real world.

The 1991 Gulf war appeared to exemplify the ultimate paradigm of American political leadership and high-tech military power, at the head of a broad-based international coalition, under the aegis of a truly United Nations, in the service of a new world order. The reality is less comfortable. There is no new world order, especially not in the Gulf; the US does not have the resources, military or financial, to sustain its old international pre-eminence; it does not have any master geostrategic plan, in the follow-up to the cold war, with which to exercise its leadership; and the real world is much too turbulent and unpredictable to admit such a master plan.

Even under President Bush, who was strongly focused on foreign policy, the US was starting to abdicate its leadership role from some of the most pressing problem areas. The marines were sent to Somalia, and bombs and missiles launched at Iraq; but the US has stood right back from the civil war in what was Yugoslavia, and it is doing much less than western Europe to help the struggling countries of eastern Europe and the former Soviet Union.

Some nostalgics cite the case of Nato, which has no obvious purpose in the post-cold war world, but which nevertheless seems to be getting a second wind. Last year allied governments, including France, agreed Nato could play new roles in peacekeeping; right now Nato headquarter units are helping humanitarian aid in Bosnia; and France and Germany have agreed their new Euro-Corps could fight under Nato orders. All this looks like a modest new lease of life for an Atlantic alliance which is the creature of American leadership.

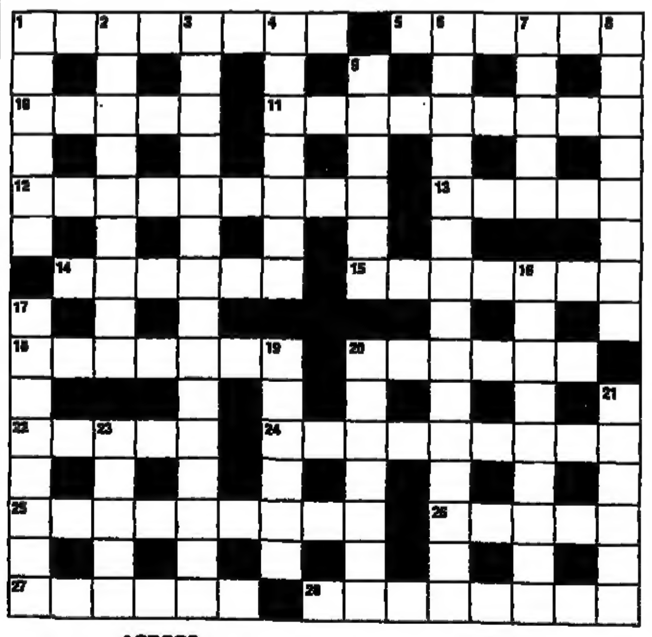
These innovations, no doubt valuable in their way, do not reverse the tide of history, however. Nato's central purpose, to deter a massive attack by the Soviet Union, has disappeared and cannot be replaced by a little peacekeeping on the side. Even under Bush, the US planned to cut its forces in Europe by two-thirds; under Clinton, the cut must surely be deeper. No European government wants the US to go home; the fact remains that the end of the cold war leaves a gaping hole in the heart of Nato and western strategy, it weakens the cement of western unity, and removes much of the need for US leadership.

If Mr Clinton is as bright as they say, he will heed the advice of Leslie Gelb, and try to persuade other countries to share the burdens of strategy. But the price of shared burdens would be shared leadership; it is not yet clear that the US or its allies are ready for such a revolutionary idea.



## CROSSWORD

No.8,059 Set by DANTE



**ACROSS**

1 Mr O'Casey crashed in American plane (8)
5 Engagement is in a mess (6)
10 An ingredient of sacred orthodoxy (5)
11 Deliberate way to enter the financial market (9)
12 Carried shoulder-high by old soldiers on promotion (9)
13 Where one would find a wandering shade? (5)
14 Many agree it's new and in short supply (6)
15 Furniture employed off stage (7)
18 It is not, indeed, meant (7)
20 Earlier youth leader in a monastery (6)
22 Muse shows hesitation at nothing (5)
24 Difficult to make love other than on the grass (4,5)
25 Face lift (9)
26 Untie tricky knot (5)
27 It's associated with head and tails (3,3)
28 They enjoy being patronised (8)

**DOWN**

1 Nobody else will know if we keep it (6)
2 A way to be delivered from an emperor (9)
3 Mother accepts soothing tonal composition is by Beethoven (9,6)
4 Favour shown to the electorate (7)
6 Judicious use of humour might lead to it (8,2,5)
7 In the field or on the track he's often in the van (5)
8 Value engineers in the army? Of course! (8)
9 Fed up, having to stop on guard (6)
16 Out in spring! (9)
17 Disciple has to stick to holy writ (8)
19 Hilda unsettled by a bloomer (6)
20 Fellow tripper, perhaps (7)
21 Accentuate in a manner of speaking (6)
23 One old car in a pile up (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday February 6.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

| 1/2 hour period ending | Provisional Price for Trading on 24.01.93: Pool purchase price £/MWh | Final Prices for Trading on 27.12.92: Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 18.29 | 19.44 | 19.44 |
| 0100 | 27.85 | 23.78 | 25.81 |
| 0130 | 31.80 | 26.00 | 28.12 |
| 0200 | 27.85 | 26.00 | 28.07 |
| 0230 | 24.35 | 26.87 | 27.91 |
| 0300 | 20.74 | 24.15 | 26.12 |
| 0330 | 20.67 | 23.76 | 25.74 |
| 0400 | 20.64 | 23.76 | 25.76 |
| 0430 | 20.64 | 21.46 | 23.36 |
| 0500 | 17.60 | 21.46 | 23.37 |
| 0530 | 17.56 | 17.46 | 17.46 |
| 0600 | 17.56 | 17.47 | 17.47 |
| 0630 | 17.55 | 17.47 | 17.47 |
| 0700 | 17.57 | 17.46 | 17.46 |
| 0730 | 17.57 | 17.46 | 17.46 |
| 0800 | 17.61 | 17.47 | 17.47 |
| 0830 | 27.85 | 17.47 | 17.47 |
| 0900 | 27.85 | 26.00 | 26.00 |
| 0930 | 27.85 | 26.00 | 26.00 |
| 1000 | 27.85 | 26.00 | 26.00 |
| 1030 | 20.01 | 18.84 | 20.68 |
| 1100 | 20.85 | 18.80 | 20.72 |
| 1130 | 22.61 | 22.43 | 24.43 |
| 1200 | 28.33 | 24.18 | 26.28 |
| 1230 | 28.61 | 24.16 | 26.26 |
| 1300 | 28.61 | 24.16 | 26.26 |
| 1330 | 28.33 | 24.18 | 26.27 |
| 1400 | 22.61 | 23.26 | 25.33 |
| 1430 | 17.66 | 17.72 | 17.72 |
| 1500 | 17.64 | 17.58 | 17.59 |
| 1530 | 17.64 | 17.59 | 17.59 |
| 1600 | 17.63 | 17.59 | 17.59 |
| 1630 | 17.63 | 23.06 | 25.07 |
| 1700 | 18.59 | 26.00 | 28.08 |
| 1730 | 22.80 | 26.00 | 28.04 |
| 1800 | 26.09 | 26.00 | 28.06 |
| 1830 | 26.09 | 23.26 | 25.26 |
| 1900 | 26.09 | 25.15 | 27.18 |
| 1930 | 26.09 | 25.15 | 27.16 |
| 2000 | 26.09 | 23.28 | 25.23 |
| 2030 | 23.40 | 23.26 | 25.24 |
| 2100 | 22.34 | 23.26 | 25.24 |
| 2130 | 22.25 | 23.06 | 25.02 |
| 2200 | 20.85 | 17.72 | 17.72 |
| 2230 | 19.83 | 17.59 | 17.59 |
| 2300 | 19.14 | 17.56 | 17.56 |
| 2330 | 17.60 | 17.52 | 17.52 |
| 2400 | 17.65 | 17.47 | 17.47 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

| 1/2 hour period ending | Provisional Price for Trading on 25.01.93: Pool purchase price £/MWh | Final Prices for Trading on 28.12.92: Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 18.29 | 19.23 | 19.23 |
| 0100 | 30.48 | 23.28 | 25.15 |
| 0130 | 30.48 | 24.84 | 26.78 |
| 0200 | 30.48 | 24.84 | 26.74 |
| 0230 | 30.48 | 24.01 | 25.93 |
| 0300 | 22.76 | 24.21 | 26.04 |
| 0330 | 22.61 | 24.21 | 26.05 |
| 0400 | 20.85 | 24.01 | 25.86 |
| 0430 | 17.63 | 18.90 | 20.65 |
| 0500 | 17.63 | 18.90 | 20.65 |
| 0530 | 17.60 | 17.46 | 17.46 |
| 0600 | 17.59 | 17.45 | 17.45 |
| 0630 | 17.60 | 17.46 | 17.46 |
| 0700 | 18.61 | 17.47 | 17.47 |
| 0730 | 24.31 | 17.47 | 17.47 |
| 0800 | 24.31 | 17.50 | 17.50 |
| 0830 | 24.31 | 17.53 | 17.53 |
| 0900 | 24.32 | 18.47 | 20.15 |
| 0930 | 24.61 | 22.12 | 23.96 |
| 1000 | 27.16 | 22.12 | 23.96 |
| 1030 | 27.16 | 26.00 | 28.01 |
| 1100 | 25.67 | 26.00 | 28.00 |
| 1130 | 25.82 | 26.00 | 27.98 |
| 1200 | 25.82 | 26.00 | 27.99 |
| 1230 | 25.82 | 23.21 | 25.09 |
| 1300 | 24.61 | 23.21 | 25.09 |
| 1330 | 24.32 | 23.21 | 25.08 |
| 1400 | 19.38 | 22.12 | 23.94 |
| 1430 | 19.32 | 19.10 | 19.10 |
| 1500 | 19.32 | 17.93 | 17.93 |
| 1530 | 19.38 | 18.72 | 18.72 |
| 1600 | 19.38 | 19.10 | 19.10 |
| 1630 | 24.42 | 23.21 | 25.04 |
| 1700 | 33.34 | 26.11 | 27.98 |
| 1730 | 36.65 | 26.11 | 27.95 |
| 1800 | 38.64 | 26.11 | 27.95 |
| 1830 | 32.53 | 26.02 | 27.88 |
| 1900 | 29.22 | 26.00 | 27.87 |
| 1930 | 24.82 | 24.71 | 26.51 |
| 2000 | 24.32 | 24.71 | 26.53 |
| 2030 | 22.86 | 22.31 | 24.07 |
| 2100 | 22.00 | 22.31 | 24.07 |
| 2130 | 22.00 | 22.31 | 24.07 |
| 2200 | 22.00 | 22.31 | 24.06 |
| 2230 | 18.61 | 19.10 | 19.10 |
| 2300 | 18.21 | 17.61 | 17.61 |
| 2330 | 17.60 | 17.53 | 17.53 |
| 2400 | 17.57 | 17.50 | 17.50 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

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